OPPORTUNITIES ENHANCED

ROCKROSE ENERGY

RockRose Energy plc
Annual Report 2019

ROCKROSE IS AN INDEPENDENT OIL AND GAS PRODUCTION AND INFRASTRUCTURE COMPANY ESTABLISHED IN 2015.

FOR MORE INFORMATION VISIT:
ROCKROSEENERGY.COM

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HIGHLIGHTS

STRATEGIC HIGHLIGHTS

> Through the acquisition of Marathon UK's assets we have doubled reserves and resources and scaled the business.

> We initiated a progressive dividend policy, whereby we will seek to pay regular dividends where appropriate, with an interim payment of 60p per share in October 2019. The Company will pay a final dividend of 25p per share, bringing the total for 2019 to 85p per share.

> Abandonment half-life of 2030 (2018: 2028). Tax relief on abandonment expenditure, fully covered by tax paid history.

For more information
See pages 8-10

OPERATIONAL HIGHLIGHTS

> Group production for the year to 31 December 2019 was in line with guidance at 13,886 boepd on a working interest basis (19,356 pro forma basis). Excluding planned shutdowns, pro forma 2019 output was 20,500 boepd. The Foinaven field was shut down for 34 days longer than anticipated for scheduled maintenance. Overall, production increased by 117% versus the prior year average including a contribution from the Dyas and Marathon Oil UK Acquisition.

> Operational progress continues as planned across the portfolio. The Group expects to participate in seven wells in 2020 as it continues to convert 2C resources to 2P reserves while delivering significant production growth, and extending field life.

For more information
See pages 11-13

FINANCIAL HIGHLIGHTS

> Reinforced balance sheet position with significant financial resources on hand leaving us well placed to tackle the challenges of 2020. At the year end, total cash was $375.5 million (2018: $121.3 million), of which $59.7 million (2018: $53.3 million) was restricted.

> Pro forma adjusted EBITDA of $162.4 million reflecting the contribution of the Brae Complex and Foinaven field from 1 January 2019. Adjusted EBITDA $97.9 million excluding the six months pre-acquisition results.

> Hedged ~63 million therms at ~€0.53/ therm in 2020, ~54 million therms at ~€0.41/ therm in 2021 and ~54 million therms at ~€0.45/ therm in 2022.

For more information
See pages 14-15

PRO FORMA PRODUCTION[2]

19,356 BOEPD
2018: 10,754 BOEPD

19 19,356 BOEPD
18 10,754 BOEPD

PRODUCTION

13,886 BOEPD
2018: 6,389 BOEPD

19 13,886
18 6,389

ADJUSTED EBITDA[1]

$97.9M
2018: $64.2M

19 97.9M
18 64.2M

PROFIT FOR THE YEAR

$84.1M
2018: $38.9M

19 84.1M
18 38.9M

TOTAL CASH[1]

$375.5M
2018: $121.3M

19 375.5M
18 121.3M

PRO FORMA ADJUSTED EBITDA[2]

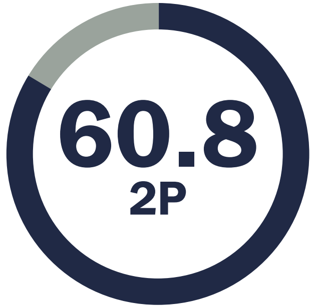
$162.4M
2018: $112.0M

19 162.4M
18 112.0M

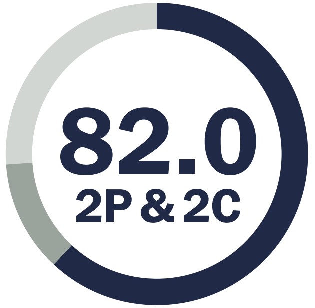
1 Non-IFRS measures. Refer to the alternative performance measures definitions within the glossary to the Annual Report.
2 Pro forma amounts are unaudited.

COMPANY OVERVIEW

RESERVES AND RESOURCES (MMBOE)



- **50.83** UK
- **9.96** NL



- **50.83** UK
- **9.96** NL
- **21.23** 2C

Effective 01.01.2020. Source: Company Estimates, RockRose Internal Year End 2019 Reserves and Resources

A&B UNIT
(RRE 14.6%, OPERATOR PETROGAS)

> The JV is considering sanction of phase 3 of the undeveloped sands project in 2020, with the potential to drill the first of three infill wells by the end of the year

ARRAN
(RRE 30.4%, OPERATOR SHELL)

> Shell-operated gas/condensate field being developed at a gross cost of ~£300m

> Expected to come onstream in the first half of 2021 at a rate of ~6,000 boepd (net)

BLAKE & ROSS
(RRE 30.8%, OPERATOR REPSOL-SINOPEC)

> The partners are investing over £200m (gross) to extend Blake field life by five years to 2029

> This will also facilitate the development of the 11 MMbbl (gross) Tain oil field

BRAE AREA
(RRE ~40% AND OPERATOR)

> Drilling of two West Brae infill wells

> Cessation of production extended by three years to 2030 at Brae Alpha and two years to 2023 at East Brae

FOINAVEN
(RRE 28.0%, OPERATOR BP)

> Improved uptime in 2020 following an extended shutdown in 2019

> Working with BP on future extension options for the wider field

K4/K5 (K BLOCKS)
(RRE AVERAGE WI 7.0%, OPERATOR TOTAL)

> Infill drilling potential on K4b-K5a which the operator is currently assessing

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EXPLOITING DISCOVERED HYDROCARBONS TO CREATE SUSTAINABLE VALUE FOR OUR STAKEHOLDERS.

EVALUATE

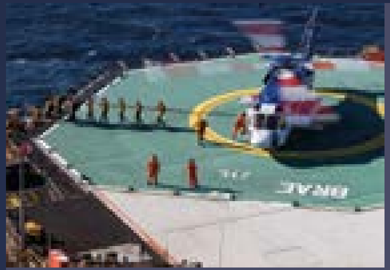
RE-EVALUATING LATE STAGE ASSETS
Exploiting RockRose's technical capabilities to select appropriate development and production opportunities, in order to deliver high levels of production efficiency and cost control to realise sustained value from the acquisitions of maturing and underdeveloped assets.

For more information
See pages 8-10

ENHANCE

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.

For more information
See pages 14-15



PRODUCE

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.

For more information
See pages 11-13

EXTEND

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.

For more information
See pages 8-10

OUR COMPETITIVE ADVANTAGE

TECHNICAL CAPABILITIES
Both at the Board and management levels, RockRose has a highly experienced team.

STRONG FINANCIAL POSITION
The Group's resilient debt-free balance sheet is ideally positioned to support the Group's growth ambitions and weather unpredictable economic events.

PORTFOLIO DEVELOPMENT
We actively manage the diversification of our assets between oil and gas producing and development fields, in order to maximise shareholder return.

PARTNERING
Our experience and network means we are able to support our operating partners and provide the level of challenge required.

DEAL-MAKING EXPERIENCE
Our experience, contacts and advisors, mean we are well positioned to maximise the value accretion from future deal-making activities.

OPERATING RESPONSIBLY
An unwavering belief in always operating responsibly by considering the environmental impact of all of our operations.

OUR STRATEGY

INITIATIVES | PROGRESS | PERFORMANCE | UNCERTAINTIES | OUTLOOK

OPERATIONAL EXCELLENCE

Progress

With safety the top priority, RockRose's highly skilled and integrated teams are building a track record of reducing HSE reportable events for its operated assets.

Group pro forma production for the year of 19,356 was in line with guidance issued on 24 September of around 20,000 boepd on a pro forma basis.

Performance

KPI – HSE REPORTABLE EVENTS FREQUENCY (TRIF)* – OPERATED ASSETS

19	0.71
18	1.12

* Total Recordable Injury Frequency (TRIF) per 200,000 man hours

Uncertainties

There has been no material change in the potential impact or likelihood and the Group's overall record on HSE remains robust.

The Group has delivered on its 2019 production target despite a lower production from Brae and Foinaven than originally expected. With the acquisition of Dyas in Q4 2018, which contributed throughout 2019, RockRose's production portfolio was further diversified.

Outlook

Continued focus on reducing HSE reportable events; a number of initiatives are in the process of implementation which should lead to further reductions in 2020.

Average production in 2020 is forecast to be around 21,000 boepd, which represents a 9% increase versus pro forma 2019 output. This is expected to be achieved despite the planned shutdown of the Forties Pipeline System (FPS) for three weeks from mid-June onwards.

EXTRACT MAXIMUM VALUE

Progress

The Group's continued focus on reducing operating costs and optimising decommissioning strategies has demonstrated our commitment to extending the life of our operations in line with the UK Government's Maximising Economic Recovery (MER) strategy.

The extension of Brae Alpha and cost-saving initiatives implemented through lessons learnt on Brae Bravo are the main driver of the $86.0 million reduction in decommissioning liabilities during H2 2019.

The 2019 operating cost/BOE is driven by the lower than expected production from Brae and Foinaven, offset by higher gas production.

Performance

KPI – DECOMMISSIONING HALF LIFE*

19	2030
18	2028

* The date at which half of the Group's abandonment expenditure has been incurred.

KPI – OPERATING COST/BOE

19	29
18	28

Uncertainties

The estimated future costs and timing of decommissioning is a significant estimate, any adverse movement in price, operational issues/costs and changes in reserves and resource estimates could have a significant impact.

Outlook

The Group continues to pursue a growth strategy while maintaining its ability to do business in the harsh environment of sub-$50 per barrel oil prices.

The Group has a clear strategy to decommission its operated assets in a continuous, sequential fashion, incorporating learnings and progressive improvements as it moves through the decommissioning portfolio. The Group has put in place an experienced in-house team that is committed to undertaking decommissioning activity in a safe and efficient manner.

TOTAL SHAREHOLDER RETURN

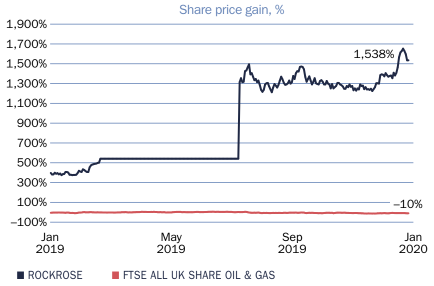
Progress

RockRose's share price has outperformed the benchmark FTSE All-Share Oil & Gas index.

The Marathon UK Acquisition in mid 2019, a strengthened portfolio of development projects, and production in line with guidance have all contributed to this performance.

Performance

KPI – TSR CHART VERSUS FTSE PEERS



Uncertainties

There has been no material change in the potential impact or likelihood. The Group recognises that climate change concerns and related regulatory developments are likely to reduce demand for hydrocarbons over time. This may be mitigated by correlated constraints on the development of new supply.

Outlook

2020 will see organic growth in production, and we continue to look at opportunities to deploy our balance sheet strength to make acquisitions that meet our criteria.

Continued risk mitigation through measures including hedging oil and gas, renegotiating supplier contracts, reducing costs and commitments and maintaining a low-cost central head office function.

The unexpected impact of COVID-19 will continue to affect all markets, including those in which we sell our products, for the foreseeable future.

IDENTIFY GROWTH OPPORTUNITIES

Progress

The Company is drilling two planned infill development wells on West Brae in H1 2020.

Designated WPGZ and WPOZ, they are scheduled to come onstream in Q1 and Q2 2020 respectively.

The Shell-operated Arran gas/condensate field is under development and the Blake life extension programme has been approved.

The Marathon UK Acquisition increased reserves and resources by 82%.

Performance

KPI – RESERVES REPLACEMENT* (2P)

19	49%
18	262%

* Calculated as 2P reserves additions and revisions divided by production in the year (excluding acquisitions).

Uncertainties

The Group's success will be partially dependent upon the successful execution and delivery of development projects.

The Group's assets are primarily concentrated in the UK North Sea around a limited number of infrastructure hubs and existing production (principally oil) is from mature fields. This amplifies exposure to key infrastructure (including ageing pipelines and terminals), political/fiscal changes and oil price movements.

Outlook

The Company has the option to participate in seven wells in 2020 as it continues to convert 2C resources to 2P reserves while delivering significant production growth, and extending field life. Planned activity in 2020 includes:

> Two RockRose-operated infill wells at West Brae (RockRose 40.0%).
> Four development wells at the Shell-operated Arran gas/condensate field (RockRose 30.4%).
> The drilling of one of two infill wells planned as part of the Blake (RockRose 30.8%) life extension project.

Repsol-Sinopec and RockRose continue to target 2020 for the submission of a field development plan and project sanction of the Tain oil field (RockRose 50.0%). All decisions are taken based on the oil price prevailing at the time.

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OPPORTUNITIES ENHANCED

THE STRENGTH OF OUR BUSINESS LEAVES US WELL PLACED TO TACKLE THE CHALLENGES OF 2020.

ANDREW AUSTIN
EXECUTIVE CHAIRMAN

Before reviewing 2019 in detail, I want to say that RockRose's success last year has left us well-placed to meet the twin challenges of COVID-19 and weak commodity prices. The strength of our balance sheet combined with management action to reduce expenditure significantly, mean that I am confident we will emerge from this difficult period with our financial health intact and our growth prospects undimmed.

In 2019, RockRose continued to execute its strategy of acquiring assets in the North Sea. After exiting 2018 with production of 9,918 boepd following completion of the acquisition of Dyas B.V., in February 2019 we announced that we had reached agreement to acquire Marathon Oil UK and Marathon Oil West of Shetlands. This deal completed on 1 July 2019 and combined with a full year of production from Dyas, had the effect of increasing our production by 117% to 13,886 boepd (19,356 pro forma basis) from 6,389 boepd in 2018. As detailed in the independent Competent Persons Report (CPR) published as part of the prospectus issued in conjunction with the transaction, it also increased our oil and gas reserves by 82%. At the end of 2019, our proved and probable reserves stood at 60.8 MMboe with an additional 21.2 MMboe classified as contingent resources.

Critically, RockRose achieved this increase in reserves and production while abiding by its founding principle of being robust enough to thrive throughout the commodity price cycle. This was reflected in adjusted EBITDA of $97.9 million in 2019 ($162.4 pro forma basis) versus $64.2 million in 2018. The improvement was realised despite the price of Brent crude oil falling by approximately 13% year-on-year to an average of $63 per barrel.

MMboe	2P reserves	2C resources	2P plus 2C
1 January 2019*	35.9	15.0	50.9
Production	(5.1)	0.0	(5.1)
Acquisition	27.5	9.7	37.2
Recategorisation	2.5	(2.5)	–
Revisions	–	(1.0)	(1.0)
31 December 2019	**60.8**	**21.2**	**82.0**

* Source: ERCE Competent Persons Report (2P reserves), internal estimates (2C resources)

We ended the year with cash balances of $375.5 million (including restricted cash of $59.7 million). This uplift was achieved after capital expenditure of $76.9 million, cash acquired in the Marathon UK Acquisition of $239.1 million and abandonment expenditure of $9.4 million (before tax relief). The Company remains debt-free.

Central to our operations is our health, safety, and environmental (HSE) performance. During our short tenure as operator, we have made a significant difference to the Greater Brae Area in this regard. In 2018, the total number of HSE incidents was 28. This fell by 39% to 17 incidents in 2019 and only seven of those occurred after RockRose completed the Marathon UK transaction and became operator. Plainly, there is still room for improvement, and we will be working hard to realise this.

The Marathon UK transaction brought operatorship of the Greater Brae Area, which includes current gross production of ~20,000 boepd, three large platforms offshore, and more than 300 employees plus contractors. Since taking on this major responsibility, I am proud of the Company's achievements, which include:

> Increasing reserves;
> Delaying cessation of production (CoP) at Brae Alpha by at least three years to 2030;
> Extending CoP at East Brae by two years to 2023;
> Successfully disembarking Brae Bravo ahead of platform removal in 2021; and
> Implementation of a rota change offshore and restructuring the operational leadership.

Unfortunately, TAQA and our other joint venture partners in the Greater Brae Area served an operator discharge notice on Marathon Oil UK prior to our acquisition of the asset. We challenged the validity of this notice and the process that led to it being served, but a judge found in favour of the claimants following court proceedings in December 2019. Although any change of operator must be approved by the Secretary of State, we have started the process of transferring operatorship to TAQA.

It is important to emphasise that RockRose will not suffer any strategic or financial consequences as a result of this change, as the Joint Operating Agreement prevents any partner from benefiting by being operator. Ever since we completed the Marathon UK transaction, we have been committed to ensuring the best possible outcome for the Brae Area, its staff, and for the joint venture partners. This will remain our focus, so we will work with TAQA to make the transition as smooth as possible, ensuring there is no disruption to ongoing operations and that our staff are fully supported. We will actively support and challenge TAQA to improve the HSE performance of the Greater Brae Area.

The issue of the Greater Brae Area operatorship notwithstanding, we expect to drive further operational progress across our portfolio in 2020. Activities will include participation in up to seven wells, as the Company continues to convert 2C resources to 2P reserves while delivering significant production growth and extending field life. At the end of 2019 our plans included:

> Two RockRose-operated infill wells at West Brae (RockRose 40.0%), designed to access over three MMbbl of net 2P reserves and add net production of 2,500 bopd. The first of these came onstream in Q1 and the second is due onstream in Q2.
> Four development wells at the Shell-operated Arran gas/condensate field (RockRose 30.4%). Drilling commenced in Q1 and the wells are forecast to add net production of over 6,000 boepd when Arran comes onstream in H1 2021. So far, the project is on schedule and under budget.
> The drilling of one of two infill wells to be operated by Repsol-Sinopec as part of the Blake (RockRose 30.8%) life extension project. This will contribute to extending production by five years to 2029.
> Submission of a field development plan and project sanction of the Repsol-Sinopec-operated Tain oil field (RockRose 50.0%), which would lead to first oil in H2 2022. Tain is estimated to contain mid-case recoverable resources of 11.5 MMbbl (5.8 MMbbl net to RockRose) and is close to existing infrastructure.

EXECUTIVE CHAIRMAN'S STATEMENT CONTINUED

> Sanction of the B10 (RockRose 14.6%) and A15 (RockRose 28.2%) developments in the Dutch sector of the North Sea. This follows a pair of successful appraisal wells in 2019 and is expected to lead to first gas in 2022. The fields will be tied back to the central processing platform on the Petrogas-operated A&B Blocks and contain total resources of over five MMboe net to RockRose.

> Commencement of drilling on the UDS3 project (RockRose 14.6%); also on the A&B Blocks offshore the Netherlands. UDS3 consists of two new wells and a sidetrack.

We continue to re-evaluate these plans in light of the current market conditions.

Combined with improved uptime at Foinaven (RockRose 28.0%) following an unplanned extended maintenance shutdown in 2019, we expect these initiatives to help drive a ~9% improvement in our production to ~21,000 boepd in 2020. This is in spite of a planned three-week shutdown of the Forties Pipeline System, which will impact our output from the Greater Brae Area, Nelson, Howe, and B-Block. Capital expenditure will be substantially higher in 2020 than in 2019 at ~$200.0 million, but this investment should lead to significantly higher production in 2021 as Arran comes onstream. Abandonment expenditure is likely to be ~$30.0 million (before tax relief).

Although we do not set explicit long-term targets for reserves or production, believing instead that the shareholder value is a more important metric, we remain committed to growing the business. We have built an excellent platform from which to do that and could deploy significant capital for the right opportunity. With that in mind, we have evaluated several potential acquisitions since closing the Marathon UK transaction, and we continue to evaluate potential acquisitions. However, it is critical that we maintain capital discipline and we must be prepared to walk away from opportunities if we do not believe they will be accretive to shareholder value.

Finally, I would like to thank all our stakeholders for their work and commitment to the Company and to thank staff, contractors, co-venturers and other stakeholders for their continued support. I believe we are well-placed to continue to generate substantial returns for investors and we also paid a maiden dividend of 60p/share in Q4 2019. As indicated at that time, we are now paying a further 25p/share. I believe it would be inappropriate to set any hard and fast metrics regarding pay-out ratios or similar. However, what I can say is that while maintaining capital discipline, we will seek where appropriate to pay a regular dividend.

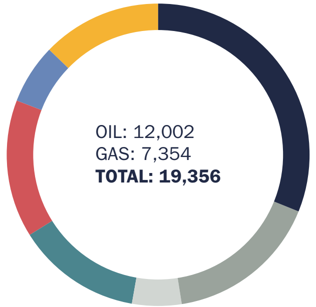
ANDREW AUSTIN
EXECUTIVE CHAIRMAN
6 APRIL 2020

OPERATING REVIEW

THE FIRST HALF OF 2019 SAW ROBUST PERFORMANCE FROM THE EXISTING ASSET BASE WHILE PRODUCTION INCREASED SIGNIFICANTLY IN THE SECOND HALF ON THE BACK OF THE MARATHON UK ACQUISITION.

PETER MANN
MANAGING DIRECTOR

PRO FORMA PRODUCTION BY ASSET 2019 BOEPD



- **6,045** BRAE
- **3,161** FOINAVEN
- **1,046** NELSON & HOWE
- **2,546** ROSS & BLAKE
- **2,872** A&B
- **1,217** K4/K5
- **2,469** OTHER

2019 was another year of significant growth for RockRose. Our Dutch assets contributed a full year of production for the first time and the Marathon UK transaction completed at mid-year. Average production increased by 117% from 6,389 boepd in 2018 to 13,866 boepd on a working interest basis. Pro forma production was up by 80% to 19,356 boepd despite Foinaven being shut down for 34 days longer than anticipated.

Through the Marathon UK transaction, we became the operator of the Greater Brae Area, which includes three platforms in the Central North Sea. We are proud of our achievements since assuming that responsibility. These include extending cessation of production dates for Brae Alpha and East Brae; successfully disembarking Brae Bravo; and improving the working environment by implementing a rota change offshore and restructuring the operational leadership.

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 H1 2021. The development is currently under budget and on schedule.

Once onstream Arran is expected to produce >20,000 boepd (>6,000 boepd net). Gas will be exported via the Shearwater-Elgin Area Line (SEAL) 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 (RRE 30.8%). First oil is planned for H2 2022.

Tain production will be approximately 6,000 boepd, (3,000 boepd (net)).

Produced fluids 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.

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CONTINUED

OIL PRODUCING ASSETS

BRAE COMPLEX (RRE ~40.0%)
The Brae Complex has operated at both ends of the spectrum with new wells drilled and old infrastructure decommissioned. The Brae Bravo platform was disconnected from the Brae infrastructure and subsequently disembarked in July and drilling commenced on the first of two West Brae development wells in the fourth quarter, with first production expected in Q1 2020.

Oil and gas output was relatively stable during the first half of 2019 but the second half was impacted by unplanned Forties pipeline outages and compressor reliability issues resulting in pro forma average production in 2019 of 6,045 boepd (net).

FOINAVEN (RRE 28.0%)
Foinaven (BP operated) production was impacted due to an unplanned extended maintenance shutdown in the second half of the year. The planned duration of the outage was increased to allow critical integrity inspections and pipework replacements to be completed, resolving issues that had been identified as part of an improved integrity management programme introduced in the second half of 2018. Pro forma average production for the year was 3,161 boepd (net).

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 603 boepd (net) including associated gas in 2019. Howe production averaged 443 boepd (net) plus associated gas in 2019. 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.

The joint venture is evaluating infill well opportunities in the Nelson field.

ROSS AND BLAKE (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 2,546 boepd (net) including associated gas in 2019. Oil is exported via a shuttle tanker, gas is exported via the Frigg Pipeline.

The partners are investing over £200.0 million (gross) to extend the field life by five years to 2029 including two additional infill wells, which are being drilled in the near future to maximise economic recovery.

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. RockRose's production from its B-Block interests was 643 bopd (net) in 2019. Oil is exported via the Forties Pipeline System to Cruden Bay.

In the Netherlands, both Hanze and Rijn production was increased through replacement of downhole electrical submersible pumps (ESPs).

GAS PRODUCING ASSETS

A&B BLOCKS (RRE 14.6%)
Gross production from the Petrogas operated, AB Unit (A12, B13 and A18) averaged 112 MMcf/d (gross) in 2019. Production is from shallow reservoirs at depths of between 350 and 700 metres. The partnership successfully appraised the B10 and A15 discoveries in 2019. Petrogas, the operator, is now pushing forward with project FEED, with Final Investment Decision (FID) on both projects expected in Q2 2020. Petrogas is also planning to deliver FID on stage 3 of the undeveloped sands infill project in Q2 2020. This will deliver a total of three infill wells on the A12 and B13 structures.

K4B-K5A (RRE AVERAGE 7.0%)
Gross production in the Total operated K4b/K5a licence averaged 60 MMcf/d gross in 2019. Gas from most of the fields on the acreage is exported via the WGT pipeline to Den Helder. K/5-F exports its gas via the NGT pipeline to Uithuizen. The area was developed with a Central Processing Platform (CPP) over the K/5-A structure and five unmanned wellhead platforms to produce gas from the satellite fields. In 2019, Total continued to enhance production through intervention. It is continuing detailed subsurface work focused on future infill opportunities.

OTHER GAS ASSETS
RockRose has interests in several other assets both offshore and onshore in the Netherlands. These include Hanze, P15/P18-Rijn, P/Q Area, Markham and J3C, and onshore Bergen (including Alkmaar PGI facility). In 2019, these assets produced an average of 1,358 boepd (net) to RockRose. The F15AB partners also sanctioned the restart of production. The field had previously been shut-in for decommissioning but, based on a new operating philosophy, opex has been greatly reduced. An intervention on F15a-A5 is planned 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 2019 RockRose's net production from these interests was 2.8 MMcf/d. Following Perenco's remedial work on Trent, Tors saw uptime of over 85% in 2019.

DECOMMISSIONING

RockRose continues to focus on the efficient decommissioning of its operated and non-operated assets whilst meeting its regulatory obligations. In the RockRose-operated Brae field, work continues to ready Brae Bravo for removal. To significantly reduce opex costs the platform was 'made-safe' and down-manned in July 2019. There is a favourable fixed price contract in place for the removal and disposal of the Bravo facilities in 2021 and 2022 and the engineering process is ongoing with the contractor.

In 2020 the East Brae drill rig recertification project will be completed in readiness for well plug and abandonment activities starting in 2021. Contractors will be engaged later in 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. Also in 2020, the redundant Brae Alpha drilling rig will be removed from the platform with the benefit of eliminating the maintenance and integrity inspection burden on the facility. RockRose is developing the necessary regulatory documentation to support the approval of the various decommissioning projects.

FINANCIAL REVIEW

THE BUSINESS HAS GONE FROM STRENGTH TO STRENGTH WITH THE ACQUISITION OF MARATHON UK'S ASSETS AND DYAS B.V. DRAMATICALLY INFLUENCING OUR RESULTS.

RICHARD SLAPE
CHIEF FINANCIAL OFFICER

PRODUCTION AND REVENUE

Production on a working interest basis increased by 117% to 13,886 boepd in 2019, compared to 6,389 boepd in 2018. This increase primarily reflects the acquisition of Dyas B.V. on 1 October 2018 and the Marathon UK Acquisition on 1 July 2019.

Revenue from crude oil sales in 2019 totalled $173.8 million, 36% higher than 2018 ($127.7 million). The increase of $46.1 million was driven by H2 2019 crude sales from Brae and Foinaven of $62.4 million in 2019 (2018: nil) offset by the impact of lower realised oil prices of $16.3 million across the portfolio.

Revenue from the sale of gas in 2019 was $62.0 million (2018: $24.6 million), reflecting higher production following the acquisition of Dyas partially offset by lower wholesale gas prices.

The Group's commodity price hedges and other oil derivatives generated $10.7 million of realised gains (2018: realised losses of $6.4 million). The Group continues an active hedging policy.

Results for the year ending 31 December

		2019	2018	Change
Production	boepd			
Oil		**7,481**	4,832	55%
Gas		**6,405**	1,558	311%
		13,886	6,389	117%
Revenue	$'000			
Oil		**173,779**	127,735	36%
Gas		**62,032**	24,639	152%
Infrastructure		**12,397**	–	–
Other		**2,779**	698	298%
		250,987	153,072	64%
Unit opex[1]	$/boe			
Oil		**44**	33	34%
Gas		**12**	15	(21)%
		29	28	3%
Adjusted EBITDA[2]	$'000			
Oil		**57,271**	61,097	(6)%
Gas		**9,558**	10,843	(12)%
Infrastructure		**23,839**	3,002	694%
Other		**7,251**	(10,761)	(167)%
		97,919	64,181	53%
Profit for the period	$'000	**84,091**	38,859	116%
Earnings per share (basic)	cents	**654**	261	151%
Net cash generated from operating activities	$'000	**100,605**	77,387	30%
Average realised price[2]	$boe			
Oil		**63**	72	(13)%
Gas		**27**	43	(37)%
Capital expenditure	$'000	**76,903**	10,629	624%
Abandonment expenditure	$'000	**9,423**	2,402	292%

Note: The financial results are prepared in accordance with IFRS, unless otherwise noted below.
1 Non-IFRS measures. Refer to the alternative performance measures definition within the glossary to the Annual Report.
2 Excludes the impact of realised and unrealised gain on commodity hedges.

Adjusted EBITDA

	2019 $'000	2018 $'000
Operating profit	**115,381**	24,310
Depreciation and amortisation expense	**59,885**	34,222
Acquisition and relisting expenses	**10,940**	1,000
Gain on acquisition	**(15,242)**	–
(Decrease)/increase in decommissioning cost estimates[1]	**(76,360)**	(14,302)
Impairment of goodwill	–	18,660
Share options and rights granted to Directors and employees	**3,315**	291
Adjusted EBITDA	**97,919**	64,181

1 As a consequence of decommissioning assets being all but fully depreciated, $76.4 million of the $86.0 million change of estimate has been credited to the statement of profit or loss.

Cash Flow

	2019 $'000	2018 $'000
Cash and cash equivalents at 1 January	**67,944**	64,955
Net cash generated from operating activities	**100,605**	77,387
Net cash generated from investing activities	**162,194**	(22,402)
Net cash used in financing activities	**(10,794)**	(52,232)
Net increase/(decrease) in cash and cash equivalents	**252,005**	2,753
Exchange (losses)/gains	**(4,150)**	236
Cash and cash equivalents at 31 December	**315,799**	67,944
Restricted cash	**59,742**	53,347

UNIT OPEX

On a proforma basis unit opex costs were $39/bbl for oil and $14/boe for gas in 2019. The oil number was adversely affected by low production efficiency on certain key assets, notably Foinaven where there was an extended shutdown. Current production efficiency is considerably better and is expected to lead to lower unit opex costs for oil in 2020.

ADJUSTED EBITDA

Adjusted EBITDA increased by $33.7 million in 2019, reflecting a full year of Dyas B.V. (2018: three months) and the Marathon UK Acquisition. The contribution from the acquired Marathon UK assets of $7.2 million was less than forecast, due to a number of operational restrictions in H2.

A gain on acquisition of $15.2 million was recognised on completion of the Marathon UK Acquisition. This is a consequence of the effective date (1 January 2019) and the acquisition date (1 July 2019) of the transaction not being aligned. It effectively represents the retained profits of the Marathon UK assets during H1 2019, which the Group was fully entitled to.

CASH FLOW

The Group reported net cash generated from operating activities of $100.6 million or $20 per boe in 2019 compared with $77.4 million or $33 per boe a year earlier as a result of increased gas production.

At the end of 2018 the Group had $53.3 million of decommissioning securities held in trust to cover the Group's obligations under its various Decommissioning Security Agreements (DSAs). As at the end of 2019, this amount had reduced to $8.3 million. The Group has now replaced all cash securities held in trust in respect of DSAs with decommissioning surety bonds of the same value. At the end of 2019, the Group had in issue $206.5 million of surety bonds (2018: nil). The Group's A rated (Moody's) surety providers include Aspen, Liberty Mutual, Travelers and Westport.

CAPITAL AND ABANDONMENT EXPENDITURE

Consistent with our growth plans, capital expenditure increased to $76.9 million in 2019 (2018: $10.4 million), with expenditure of $37.6 million on the Arran development project, $13.6 million on the first of two West Brae development wells, $13.0 million on Blake and Ross life extension, and $12.7 million of other development and maintenance capex. Expenditure was lower than our interim results forecast of $107.0–115.0 million. This was due to a delay in drilling the West Brae development wells and the late awarding of contracts and release of contingencies on the Arran development project.

Abandonment expenditure of $9.4 million was slightly below our interim forecast of $13.0–15.0 million due to some deferral of payments into 2020.

The Group's post-tax decommissioning provisions are $592.1 million (pre-tax $1,095.3 million). The pre-tax provision increased by $725.5 million during 2019. The movement is explained by an increase of $805.5 million, resulting from the Marathon UK Acquisition and the Group assuming the decommissioning liabilities for the Brae and Foinaven assets, and the unwinding of the discount of $18.4 million (included within Finance Costs). This was partially offset by a reduction in estimates of $86.0 million (resulting principally from delaying cessation of production (COP) at Brae Alpha and East Brae, and changes to cost and economic assumptions), $9.4 million of decommissioning carried out in the year, and foreign exchange differences of $3.0 million.

PRINCIPAL RISKS AND UNCERTAINTIES

THE GROUP IDENTIFIES, ASSESSES AND MANAGES THE RISKS CRITICAL TO ITS SUCCESS.

Overseeing these risks benefits the Group and protects its business, people and reputation. We use 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 the risk management system 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 subject to operational risks including no critical spare equipment or plant availability during the required plant maintenance or shutdowns; asset integrity and health, safety, security and environment incidents; and low reserves recovery from the field and exposure to natural hazards such as extreme weather events.	Our Responsible Operating Management System (ROMS) is designed to reduce operational risk, and we leverage the experience of our experienced management teams and those of our partners to mitigate any potential impacts of unforeseen events on our operational performance.
REPUTATION	The reputational and commercial exposures to 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 COST ESTIMATES AND TIMING	The estimated future costs and timing of decommissioning is a significant estimate; any adverse movement in price, operational issues and changes in reserves and resource estimates could have a significant impact on the cost and timing of decommissioning. The early stage of the supply chain providing decommissioning in the UK also results in uncertainty in the cost and timing estimates for decommissioning of assets.	The Group mitigates this risk through the specialist decommissioning experience in its operated and non-operated asset teams, coupled with a continued focus on delivering asset value to defer abandonment liabilities.
CYBER SECURITY	Breaches in, or failures of, the Group's information security management could adversely impact its business activities.	The Group's information security management model is designed with defensive structural controls to prevent and mitigate the effects of computer risks. It employs a set of rules and procedures, including a Disaster Recovery Plan, to restore critical IT functions.
COVID-19	Operational restrictions placed on the Group and its supply chain as a result of the spread of COVID-19. 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 adverse impact on its operations as a result of COVID-19. The precautionary and contingency measures that have been put in place, on both operated and non-operated assets, are working well. In the Brae field, which we operate, we currently have no staff with symptoms and no staff in isolation.

DEVELOPING OUR APPROACH TO BEING A RESPONSIBLE BUSINESS.

A FRAMEWORK FOR CONTINUOUS IMPROVEMENT
Our vision is to deliver strong asset growth and shareholder returns in a responsible, safe and ethical manner. Our efforts are guided by our Responsible Operations Management System (ROMS), a framework designed to drive continuous improvement and reduce operational risk.

ROMS supports our commitment to the highest standard of health, environment, safety and security (HES&S) performance. HES&S activities are overseen by our Board-level Health, Safety and Environmental Committee and the ROMS Steering Committee, a cross-departmental group chaired by the Managing Director. To ensure accountability, each of the 14 ROMS Elements has an Element Owner from the Operational Leadership team.

CODE OF CONDUCT
We are committed to providing a safe workplace, free from harassment or discrimination, where all are respected and treated fairly, and we expect our employees to do the same. We have developed a detailed Code of Business Conduct (the Code), which applies to all RockRose employees, officers and Directors as well as external parties acting within the scope of representing RockRose Energy plc and its subsidiaries. The Code outlines our responsibility to treat each other with dignity, respect and fairness. It also details our responsibility towards shareholders, business partners and the marketplace. Oversight of the Code, as well as supplementary policies, standards, codes and procedures, is the responsibility of our Board of Directors. We conduct training on the Code with targeted employees whose jobs are directly relevant. Other employees, as well as contractors, are made aware of the Code when joining the Company and through internal marketing materials. In 2019, there were zero instances of non-compliance.

ROMS Elements

01	Leadership and Accountability	02	Regulatory Compliance
03	Risk Assessment and Management	04	Management of Change
05	Design and Construction	06	Safe Work Practices
07	Training and Competency	08	Operations, Maintenance and Integrity Management
09	Operational Readiness	10	Emergency Preparedness and Communications Awareness
11	Event Management	12	Third-Party Services
13	Governance and Document Control	14	Audit and Improvement

ANTI-BRIBERY AND CORRUPTION
RockRose recognises the concerns stakeholders may have regarding bribery within our industry. That is why we have developed a robust Anti-Bribery and Corruption Policy, supplementary to our main Code, to ensure we maintain the highest ethical standards possible. Through this policy we prohibit the giving, solicitation or acceptance of any bribe in any form. Every employee is made aware of this policy, with targeted employees receiving instruction on it through the Code training. Any policy updates are communicated to all employees and contractors.

GRIEVANCE MECHANISMS AND WHISTLEBLOWING
We do not tolerate any discrimination and have in place internal grievance mechanisms to allow employees to report instances. Grievances are raised with line managers, with more formal complaints made to Human Resources (HR). Our whistleblowing system enables employees to raise concerns of wrongdoing or dangers in the workplace with a dedicated Whistleblowing Officer. Once a concern is raised, it is investigated and, where necessary, remediation plans are implemented.

TAXATION
We comply with all relevant legal and regulatory standards and collaborate transparently with tax authorities through our team of tax professionals. We have a low tolerance for tax risk and work to minimise any potential business risks. In instances where there is a material level of uncertainly or complexity, we will seek advice from external experts.

We have a zero-tolerance approach to facilitation of tax evasion, which is outlined in our Anti-Facilitation of Tax Evasion Policy. Our Tax Strategy is published annually on our website.

SUPPORTING OUR PEOPLE TO BUILD A STRONGER WORKFORCE.

HEALTH AND SAFETY
We want to create a work environment where our employees feel safe and supported. Our Health, Environment, Safety and Security (HES&S) policy outlines the precautions we expect all employees, contractors and joint venture partners to take to ensure their personal safety and that of their colleagues. Our senior managers receive regular updates on our HES&S performance at weekly asset meetings, as well as the monthly Assurance Committee meeting. We rely on workforce engagement to understand how we can improve their experiences, including how we can keep them safe at work. However, accidents do still occasionally occur. Each reported accident that requires investigation, undergoes extensive root cause analysis so that we can prevent any future cases.

Since becoming an operator in the North Sea through the acquisition of the Brae field, we have made changes to improve welfare and working conditions. Based on feedback from our offshore workforce, we have now extended wifi to accommodation areas as well as updating rotas to a two-weeks-on, three-weeks-off system. We also hosted workshops, during which our Elected Safety Representatives received training and held discussions with members of the senior management team on areas for improvement. In 2019, there were five instances of a lost time incident (LTI), with only one occurring since transition. We are proud to announce that, to date, our Peterhead shorebase has celebrated over 10 years without any LTIs.

We have developed a new Process Safety Training Matrix to better understand our existing process safety capabilities. The matrix will aid in identifying specific personnel for training, which includes sending teams to the Spadeadam Testing and Research Centre to learn how to prevent major accident hazards. We share our findings with industry partners, regulators and external partners through a variety of communications, such as the STEP Change in Safety and Oil and Gas UK forums.

	2019	2018	2017
HSE Reportable Injuries	5	6	7

TRAINING AND DEVELOPMENT
We want to provide every RockRose employee with the support they need to grow in our organisation. As well as offering internal and external training courses, we have also enhanced our Mentoring and Educational Assistance programmes to support career development and progression.

CASE STUDY

THE BRAE FIELD SAFETY ALLIANCE

In 2019, following the acquisition of the Brae field, we reintroduced the Brae Field Safety Alliance, a group of organisations that work together in the day-to-day operation of the field. The Alliance was formed to share best practices and develop programmes related to safety, health (physical and mental) and environmental behaviours and major accident hazards.

RESPONSIBLE BUSINESS | OUR PEOPLE

In 2019, we developed several training opportunities, such as our offshore first level supervision training, offering employees the skills, knowledge and tools they need to be effective team leaders. We also completed phase 1 of our LEAD training for supervisors, potential supervisors and managers. Placing a stronger emphasis on health and wellness, we invested in wellbeing training and counselling for employees both onshore and offshore, with a particular focus on mental wellbeing.

DIVERSITY AND INCLUSION
We know that the strongest workforces are those where diverse minds come together to innovate. That is why RockRose is an equal opportunities employer and why we have developed an Equal Opportunities Policy. The policy covers our expectations on non-discrimination, recruitment and selection, fair treatment of employees with disabilities and equal treatment of employees on both part-time and fixed-term contracts.

In 2019, we accelerated our commitment to reduce the gender gap within our organisation. We report annually on our gender pay gap and have established a Gender Gap Group (G3) to oversee efforts to improve on the current gap of 22.5%. The group was responsible for defining our vision for a diverse and inclusive organisation and for supporting the career progression of women at all levels.

We have also established goals to attract and retain a more diversified pool of talent. They relate to reducing conscious and unconscious bias in recruitment, promotion and development opportunities and creating a culture that delivers change. We have placed a particular focus on increasing gender parity in leadership roles and roles within our technical departments. RockRose is a supporter and signatory to the AXIS pledge, a commitment by Aberdeen energy companies to work towards equal opportunities and pay for women.

CASE STUDY

ENGAGING EMPLOYEES IN BUSINESS DEVELOPMENTS

Engaging employees in day-to-day developments is key to our success as a business. Our live-streamed Townhall meetings provide an opportunity for employees across all our locations to keep up to date with what is happening at RockRose. The sessions cover topics such as our performance in HES&S and the status of our various projects. They are also an opportunity for us to celebrate successes, recognising individuals who have made significant contributions to RockRose.

The Townhalls conclude with an open Q&A session, offering our workforce an opportunity to discuss topics that interest them directly with colleagues and members of the senior leadership team. Our employees can also raise questions or issues at any time through our online Employee Forum and with line management.

INNOVATE TOGETHER
Tackling climate change issues and driving positive change is a collaborative effort. That is why we encourage all our employees to get involved with identifying solutions and areas for business improvement. Through our ‘Innovate Together’ campaign, launching in 2020, we will be inviting anyone to submit their ideas, no matter how big or small, to improve and develop our operations and to work towards Net Zero Emissions.

RESPONSIBLE BUSINESS | ENVIRONMENT

MANAGING OUR ACTIVITIES TO SAFEGUARD THE ENVIRONMENT.

GREENHOUSE GAS EMISSIONS
We regularly assess our environmental risk through Environmental Impact Identifications (ENVIDs) and Environmental Impact Assessments (EIAs). We carefully manage our offshore operations to minimise environmental impacts, particularly in relation to greenhouse gas (GHG) emissions. Offshore Scope 1 emissions derive primarily from the combustion of diesel and fuel gas, as well as from flaring and venting. We are also looking for ways to reduce our Scope 2 emissions and already carbon-offset any aeroplane flights that our Board and management make.

Thanks to our efforts in 2019, our CO_2 emissions fell for the second year, by nearly 20% compared to 2018. We are currently working with industry peers to develop a methane reduction plan, which will contribute to industry targets of net zero emissions by 2035, in line with Oil and Gas UK’s roadmap.

HYDROCARBON FLARING
We utilise flaring to safely burn excess hydrocarbon gases that are produced at our offshore facilities. The process results in the production of water vapour and CO_2. Although we try to minimise flaring, in 2019 we saw a slight increase in hydrocarbons flared, up to 41,235 tonnes[1] (2018: 40,247 tonnes). This was largely due to work carried out in 2019 to ensure the continued supply of fuel gas for field power generation with the disembarkation of the Brae Bravo platform. Additionally, equipment reliability and poor weather contributed to periods of higher than normal flaring.

WASTE REDUCTIONS
We are committed to reducing waste throughout our operations, where possible. In 2019, our total waste disposed of was 1,233 tonnes, down from 3,022 tonnes in 2018, of which nearly 718 tonnes was recycled.

We use chemicals in several stages of our operations, from production to well intervention and drilling, as well as in our pipeline. In 2019, we discharged 1,728 tonnes of chemicals, a reduction of 32.657% (2018: 2,566 tonnes).

OIL SPILL PREVENTION
We have plans and protocols in place to prevent oil spills from our operated assets. However, spills still occur occasionally as a result of accidents or faulty or degraded equipment. We work consistently to strengthen our infrastructure to reduce spill risks. In 2019, seven spills occurred, down from nine in 2018. The quantity of oil spilled also declined, from 2.1 tonnes in 2018 to just under 0.1 tonnes in 2019.

CASE STUDY

GIVING OLD EQUIPMENT NEW LIFE

In 2005, sustainable brand Elvis & Kresse was established to rescue raw material destined for landfill and turn them into luxury lifestyle accessories. We partnered with the Kent-based brand, which donates 50% of profits from its Firehose Collection to The Fire Fighters Charity, to recycle approximately 20 old offshore firehoses. The hoses were transformed into a range of products, including belts, wallets and cufflinks. Additionally, the profits from products sold to RockRose employees were donated to the Aberdeen Hospital Charity.

2019 Emissions Performance (Operated Assets)[2]

	2019	2018	2017
	CO_2 (tonnes)		
	405,391	497,301	597,768
	Non-CO_2 components (tonnes)		
Nitrogen oxides (NOx)	1,936	2,122	1,988
Sulphur oxides (SOx)	65	50	24
Carbon monoxide (CO)	1,036	1,260	1,604
Methane (CH_4)	2,631	3,842	3,074
Non-methane volatile organic compounds (VOC)	913	1,563	1,670

1 For flare consent purposes, the non-hydrocarbons in flare gas composition are not included when converting flare gas volume to mass. The non-hydrocarbons are inerts, i.e. nitrogen and CO_2.
2 Operated by Marathon Oil UK prior to July 2019.

WORKING WITH COMMUNITIES TO BUILD A STRONGER SOCIETY.

LOCAL COMMUNITY SUPPORT

Supporting our local communities is an important part of RockRose's business ethos and central to delivering results to all our stakeholders. To this end, we have continued to nurture the long-standing relationships with several local charitable organisations, contributing to their work through financial assistance. For over 10 years, the Brae assets have sponsored Absafe, a charity dedicated to providing safety programmes to local schools. Over the Christmas period, our London office contributed to Crisis to support its work to help the homeless.

To address the growing skills gap in science, technology, engineering and mathematics (STEM), RockRose annually sponsors the Family Activity Weekend at Techfest. This festival, hosted in Aberdeen, encourages people of all ages to engage with STEM through a range of interactive, hands-on shows and presentations.

EMPLOYEE DONATIONS

In addition to our ongoing charitable contributions, we also want to inspire our employees to engage with causes that are important to them. That is why we encourage employee-led philanthropic activities, where employees can apply to have their funds matched by us up to the value of £3,000 per fundraising event. In 2019, our employees raised money for two charities, the Multiple Systems Atrophy Trust and Juvenile Diabetes Research Foundation Ltd.

EDUCATIONAL SUPPORT

Today's young people are the innovators and leaders of tomorrow, and we want to encourage their development as much as possible. The Offshore Petroleum Industry Training Organisation (OPITO) is a global not-for-profit that provides skills training for people hoping to work in the energy industry. We support the OPITO apprenticeship programme, taking on apprentices each year. Additionally, in 2019, we offered two summer placements and five year-long industry placements to students in their third year of study.

Each year we sponsor a prize in Chemical Engineering at the University of Aberdeen. The prize, worth £500, is awarded to the Chemical Engineering student with the top academic performance in their second year of studies. The recipient also receives a guaranteed interview for a summer placement with RockRose.

CASE STUDY

REDEFINING THE NORTH SEA IMAGE WITH GRAY'S SCHOOL OF ART

In 2019, we partnered up with Robert Gordon University's Gray's School of Art to redefine the image of the North Sea oil industry. A group of 10 art students, whose areas of interest spanned from photography to painting to communication design, were invited to collaborate with RockRose to record the decommissioning of our Brae Bravo site.

Working onboard the platform and meeting our offshore employees, the students were fully involved in platform life, allowing them to produce final pieces that celebrate Brae Bravo and the hundreds of people who have worked there for more than 30 years.

"By placing students within the workplace, and challenging them to respond to the threads that connect the people that make those places what they are, both the students and employees have reassessed the image of the North Sea oil industry."

Callum Kellie, Technical Services Officer, Gray's School of Art

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 impacts 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. Offshore Leadership engagements attended by the Managing Director and live-streamed Townhalls attended by the Executive Chairman facilitate two-way communications with employees.

Employees are encouraged to submit suggestions which include where we can improve safety, offshore working, living conditions and training opportunities. Considered responses to suggestions are communicated through future Townhalls, Offshore Leadership engagements 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.

MORE INFORMATION:

> Our people (pages 19-20)

PARTNERS AND SUPPLIERS

RockRose works closely with joint venture (JV) partners to deliver solutions for asset safety, integrity, and field life. We collaborate with JVs to develop risk mitigation strategies for any 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 which support our business are proportional to the scope of the work.

MORE INFORMATION:

> Portfolio development (pages 8-10)
> Operating review (pages 11-13)
> Our people (pages 19-20)

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.

MORE INFORMATION:

> Developing our approach to being a responsible business (page 18)
> Corporate governance (pages 25-27)

SHAREHOLDERS

Our responsibilities as a listed company on the London Stock Exchange and the investor section of RockRose's Company website serves as our primary method for shareholder communication. Here, we publish our reports, financial results, investor presentations, share price updates and regulatory news announcements. Regular dialogue is maintained with investors and equity analysts through meetings, conferences and presentations.

Shareholder engagement is the responsibility of the Executive Chairman, Managing Director, and Chief Financial Officer. They are also responsible for ensuring other Board members are fully briefed on shareholder discussions from investor days and fund manager meetings. More formally, the Board engages with shareholders at the Annual General Meeting.

MORE INFORMATION:

> Financial review (page 14-15)

THE DIRECTORS AND SENIOR MANAGERS

ANDREW AUSTIN
EXECUTIVE CHAIRMAN
Andrew Austin is the founder of RockRose. He is also one of the founders and a former Chief Executive Officer of IGas Energy. During his tenure at IGas, Andrew was responsible for day-to-day operations and business development, helping transform the Company from a non-operator to the leading onshore hydrocarbon producer in the UK. Prior to joining IGas, Andrew was involved in ventures as principal and raised substantial funds for clients from private and public equity. He spent 17 years working in investment banking with Merrill Lynch, Nomura, Citibank, Barclays Capital, and Creditanstalt Investment Bank, where he was General Manager of the London office. He also has six years of management consultancy experience with clean tech companies.

RICHARD BENMORE
NON-EXECUTIVE DIRECTOR
Richard Benmore has over 35 years of experience in the oil and gas industry with a number of well-known companies including Conoco, Oryx Energy, Nimir Petroleum, EnCana, Nexen Petroleum, and IGas Energy. During this time, Richard has held a variety of roles. He started his career as a petroleum geologist before moving into various commercial, business development, and managerial positions. Most recently, he managed Nexen's unconventional oil and gas exploration and production projects in the UK and Poland and was a member of the Board of Directors of Nexen Exploration UK. Richard has been a Director of RockRose since its formation in 2015.

JOHN MORROW
NON-EXECUTIVE DIRECTOR
John Morrow is a Chartered Engineer with over 35 years' experience in the oil and gas industry. He served as Head of Exploration and Production at Glencore from 2011 to 2019. Prior of that, he was the Chief Operating Officer of Bowleven, which he joined in 2005. John also spent 10 years at BG Group, where he held a number of senior roles involving businesses in Kazakhstan, the Mediterranean Basin, Africa and the Middle East. The first 15 years of John's career were spent at Royal Dutch Shell, where he held a variety of operational and commercial roles in the UK (including as an offshore installation manager in the North Sea), Malaysia and the Netherlands.

PETER MANN
MANAGING DIRECTOR
Peter Mann joined RockRose from IGas Energy in 2017. He attended the Royal Military Academy Sandhurst, commissioning into the British Army in 2004, where he served for over five years leaving in 2009. Peter subsequently joined Cazenove Capital's asset management team before leaving in 2011 to set-up and run a private office in London. Peter's career included various strategic management roles. While at IGas, he was responsible for implementing the Company's core strategic aims and headed the restructuring of the business in 2015. He was also involved in acquisitions and business development and worked closely with IGas' joint venture partners including Ineos, Total and Engie.

RICHARD SLAPE
CHIEF FINANCIAL OFFICER
Richard Slape has over three decades' experience working with independent oil and gas exploration and production companies. Much of his career was spent as an equity analyst for several investment banks before he joined Rockhopper Exploration in 2012 as a Business Development Manager. He then moved to Lansdowne Oil & Gas in 2014, where he joined the Board as Commercial Director, before returning to investment banking as Oil & Gas Research Director with Zeus Capital. In 2017, Richard founded Hopton Petroleum, which provides corporate advisory, valuation and research services to clients in the oil and gas and financial sectors, before joining RockRose in 2019.

CORPORATE GOVERNANCE

I WOULD LIKE TO THANK ALL OUR STAKEHOLDERS FOR THEIR WORK AND COMMITMENT TO THE COMPANY AND TO THANK STAFF, CONTRACTORS AND CO-VENTURERS FOR THEIR CONTINUED SUPPORT.

ANDREW AUSTIN
EXECUTIVE CHAIRMAN

CHAIRMAN'S INTRODUCTION
The Board has established the corporate governance values of the Company and has overall responsibility for setting the Company's strategic aims, defining the business plan and strategy and managing the financial and operational resources of the Company. Overall supervision, acquisition, divestment and other strategic decisions are considered and determined by the Board. Andrew Austin, in addition to acting as Chairman, in conjunction with the Executive team, is charged with day-to-day responsibility for the implementation of the Company's strategy. The Executive team (Senior Managers) are supported by the wider team and external service providers as required.

The Board intends to comply, so far as it is practicable, with certain Main Principles of the UK Corporate Governance Code. Since incorporation compliance with the provisions of the Model Code is being undertaken on a voluntary basis, as the Company does not have a premium listing on the London Stock Exchange. As at the date of this document, the Board has voluntarily adopted the Model Code for Directors' dealings contained in the Listing Rules of the UK Listing Authority.

The FCA does not monitor the Company's voluntary compliance with the Model Code, nor will it impose sanctions in respect of any failure by the Company to comply.

In order to implement its business strategy, the Company has adopted a corporate governance structure which is fit for purpose for this stage of the Company's life cycle.

As a consequence of being standard listed as opposed to premium listed as required by law or other regulatory process, no shareholder approval will be sought by the Company in relation to the making of any further acquisition(s).

The current macroeconomic volatility driven by fears over the spread of COVID-19 is likely to have a significant impact on the global demand for oil in the short term. The Board is continuing to monitor the situation but is confident that as result of our significant cash resources we are in a strong position. We have performed several downside sensitivities to model the impact COVID-19 could have on the business going forward on page 17.

As at the date of this document, the Board has adopted the policies and procedures to comply with applicable market abuse legislation, including a share dealing code (Share Dealing Code) on the dealing in securities of the Company by Directors, Senior Managers and employees. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the Share Dealing Code by the Directors, Senior Managers and employees of the Company.

ANDREW AUSTIN
EXECUTIVE CHAIRMAN
6 APRIL 2020

CORPORATE GOVERNANCE
CONTINUED

GOVERNANCE FRAMEWORK

BOARD

The Directors are responsible for carrying out the Company's objectives, with overall responsibility for setting the strategic aims, defining the business plan and strategy and managing the financial and operational resources of the Company.

Biographies for each of the Directors can be seen on page 24.

SENIOR MANAGERS

The Executive team are charged with day-to-day responsibility for the implementation of the Company's business plan and strategy, and managing the financial and operational resources of the Company.

Biographies for each Senior Manager can be seen on page 24.

BOARD COMMITTEES

Remuneration Committee – composing of Non-executive Directors. Please see the Remuneration Report on page 30.

Audit and Risk Committee – composing of Non-executive Directors. Please see the Audit and Risk Report on page 29.

Nomination Committee – composing of the Executive Chairman and Non-executive Directors. Please see the Nominations Report on page 28.

Health, Safety, Security and Environmental Committee composing of the Executive Chairman and Non-executive Directors. Please see the Health and Safety Report on page 28.

STATEMENT OF COMPLIANCE – 2018 CODE

The Company will observe the requirements of the UK Corporate Governance Code published in April 2016 (so far as it is practicable) given the composition of the Board. The Board have resolved not to comply with the provisions relating to the division of responsibilities between the Chairman and Chief Executive, the independence of the Non-executive Directors, internal audit and executive compensation, principally given the lack of independent Non-executive Directors. Further details on how the Company complies with this code can be seen in the Nomination Committee Report, Audit and Risk Committee Report, the Remuneration Committee Report, and various sections of the Strategic Report.

BOARD COMPOSITION

As at 31 December, the Board comprised the Executive Chairman, and two Non-executive Directors. Neither of the Non-executive Directors are considered independent under the code given their ownership of equity.

The Company has HSE and Environmental, Nomination, Audit and Risk and Remuneration Committees.

The minimum qualifications for serving as a member of the Board of Directors (the Board and each member of the Board, a Director) of RockRose Energy plc (RockRose) are that a person demonstrates, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of RockRose and that a person has an impeccable record and reputation for honest and ethical conduct in both his or her professional and personal activities. In addition, nominees for Director shall be selected on the basis of, among other things, experience, knowledge, skills, expertise, diversity, ability to make independent analytical inquiries, understanding of RockRose's business environment and willingness to devote adequate time and effort to Board responsibilities.

DIVERSITY AND TENURE

The Board continues to assess the diversity and tenure of its members and those of the senior management team.

BOARD SKILLS AND EXPERIENCE

The Board, collectively, has significant experience in the North Sea oil and gas, exploration, development and production sector. Since 2011 the Directors have consummated at least 12 significant acquisitions and planned and executed three major North Sea onshore farm-out transactions with energy majors as counterparties.

The Directors are very familiar with the key issues facing both offshore and onshore exploration and development activity. The Board has in aggregate more than 60 years of experience in subsurface engineering and geology and has been responsible for running complex and challenging fields and drilling operations, both offshore and onshore.

In addition, the Board has significant expertise and experience of dealing with the political and social issues facing the industry at both the local and national governmental levels, both in the UK and overseas.

ROLES AND RESPONSIBILITIES

The Board provides leadership within a framework of prudent and effective controls. The Board established the corporate governance values of the Company and has overall responsibility for setting the Company's strategic aims, defining the business plan and strategy, dividend policy and managing the financial and operational resources of the Company and the review and approval of the Company's financial statements.

The Company has an established code of conduct and set of values that have been communicated to all employees. These are explained further in the Strategic Report on pages 1-23, and along with explaining how investing in people creates a positive culture, also shows how they contribute to successful delivery of the strategy set by the Board.

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

The Group's internal control procedures, which were recently reviewed as part of the Financial Policies and Procedures Prospectus (FPPP), include the following:

> Board approval for all significant projects, including corporate transactions and major capital projects;

> The Board has direct oversight of the Company's Responsible Operations Management System (ROMS), further explanation provided on page 18 ensuring it is fit for purpose;

> The Board receives and reviews regular reports covering both the technical progress of projects and the Group's financial affairs to facilitate its control;

> There is a budgeting and planning system for all items of expenditure with an annual budget approved by the Board. Risk assessment and evaluation is an integral part of the annual planning cycle;

> The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated financial statements. These systems include policies and procedures to ensure that adequate accounting records are maintained, and transactions are recorded accurately and fairly to permit the preparation of consolidated financial statements in accordance with IFRS; and

> The Audit Committee reviews draft annual and interim reports before recommending their publication to the Board. The Audit Committee discusses with the Executive team and external auditors the significant accounting policies, estimates and judgements applied in preparing these reports.

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

The Board recognise the benefits of engaging with shareholders and stakeholders and to ensure this happens meets regularly to update them with the activities of the Company. Details of who our stakeholders are and how we engage with them can be seen on page 23.

BOARD MEETINGS

	Meetings attended
Andrew Austin	13/13
Richard Benmore	13/13
John Morrow	13/13

TIME COMMITMENTS

The Board should ensure that any members appointed have sufficient time available to function effectively and efficiently for the benefit of the shareholders.

SUCCESSION PLANNING

The Nominations Committee reviews the composition of the Board with a view to ensuring that its members have a combination of skills and experience that fits with the future of the Company, and within this criteria promoting gender and ethnic diversity.

BOARD ACTIVITIES

Matters considered at regular Board meetings	Matters specifically covered in 2019
HSE	Marathon UK Acquisition and integration
Production	Dividends
Operation updates	Hedging policy
Financial updates	Legal matters – Brae operatorship
Investor relations	2020 Budget
Business development	2019 Interim results
	ESG responsibilities

STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS

HSE AND ENVIRONMENTAL COMMITTEE REPORT

SUMMARY OF THE COMMITTEE'S RESPONSIBILITIES

The Committee's responsibilities include the following:

- Ensuring that employees are provided with a safe and secure place to work;
- Ensuring that the Group is continuously measuring itself in line with global targets and initiatives;
- Ensuring that operators are complying with the latest health, safety and environmental directives; and
- Ensuring that the Company's IT systems are secure and protected from cyber-attack.

HEALTH, SAFETY, SECURITY AND ENVIRONMENTAL COMMITTEE

The Health, Safety, Security and Environmental Committee is chaired by John Morrow and its other members are Andrew Austin and Richard Benmore. The Committee meets as part of the Board meetings. The Executive and wider leadership teams meet every week to review health and safety updates from the Group's various operations. The operational head of the Health, Safety, Security and Environmental Committee reports directly to Andrew Austin.

HEALTH, SAFETY, SECURITY AND ENVIRONMENTAL COMMITTEE MEMBERSHIP

	Meetings attended (out of a total possible)
John Morrow (Chairman)	13/13
Andrew Austin	13/13
Richard Benmore	13/13

KEY AREAS OF FOCUS IN THE YEAR ENDED 31 DECEMBER 2019

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

- Oversaw the development of a new Process Safety Training Matrix to better understand our existing process safety capabilities.

NOMINATION COMMITTEE REPORT

SUMMARY OF THE COMMITTEE'S RESPONSIBILITIES

The Committee's responsibilities include the following:

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

NOMINATION COMMITTEE

The Nomination Committee is chaired by the Executive Chairman, Andrew Austin, and its other member is Richard Benmore.

NOMINATION COMMITTEE MEMBERSHIP

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

KEY AREAS OF FOCUS IN THE YEAR ENDED 31 DECEMBER 2019

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

- Appointing Richard Slape as the Chief Financial Officer; and
- Discussions on widening the Board and adding additional independent members and where practicable enhancing the diversity of the Board.

AUDIT AND RISK COMMITTEE REPORT

SUMMARY OF THE COMMITTEE'S RESPONSIBILITIES

The Committee's responsibilities include the following:

- Reviewing reports from management and the Group's auditors relating to the Group's Annual Report and Accounts and the interim results announcements. The Committee advises the Board on whether the Annual Report and interim announcement are fair, balanced and understandable and provide the information necessary for RockRose's stakeholders to assess performance against the Group's strategy. The ultimate responsibility for reviewing and approving the Annual Report and Accounts remains with the Board of Directors;
- Ensuring compliance with accounting standards and the Listing Rules, and on ensuring that effective systems of internal financial and non-financial controls (including for the management of risk and whistleblowing) are maintained; and
- Reviewing the external auditors' independence and considering the nature, scope, and results of the auditors' work and policy on (reserving the right to approve) any non-audit services that are provided by the external auditors. The Committee is responsible for making recommendations to the Board of Directors on the appointment of the external auditors and remuneration.

The Committee comprises only Non-executive Directors, being chaired by Richard Benmore and having as its other member John Morrow. Meetings are aligned with the Group's financial reporting calendar and the Committee met three times in the year ended 31 December 2019. The Executive Chairman, CFO, Finance Director and Managing Director are invited to attend each meeting of the Committee and participated in all of the meetings during the year. The external auditors are also invited to attend meetings of the Committee as appropriate and also meet the Committee without the presence of management at least annually.

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

AUDIT COMMITTEE MEMBERSHIP

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

SIGNIFICANT AUDIT MATTERS

The areas that the Committee consider key in the year are going concern, the acquisition of Marathon UK's North Sea assets and the valuation of the Group's decommissioning liabilities.

In light of recent market volatility and the ongoing uncertainties surrounding COVID-19, the key assumptions underlying the Group's ability to continue as a going concern and its longer-term viability. Specific consideration was given to potential operational restrictions, pricing and deferment of capital expenditure. The Group's continued ability to access the surety market was also re-evaluated. Further information on this can be seen on page 38.

Acquisition accounting requires the Group to fair value at the acquisition date the assets acquired and liabilities assumed. The key areas of judgement are the decommissioning provisions, valuation of property, plant and equipment, post-employment assets and the recognition of deferred tax assets acquired. Further information on this can be seen on page 76.

The valuation of the Group's decommissioning provisions includes a high level of judgement and uncertainty given their forward-looking nature. The key assumptions include the cost estimates for the decommissioning of the platforms and wells, the abandonment timing, the forward curve for foreign exchange rates and the discount rate applied. Further information on this can be seen on page 70.

REMUNERATION COMMITTEE REPORT

OVERVIEW
The Committee comprises only Non-executive Directors, being chaired by John Morrow and having as its other member Richard Benmore. The Committee met twice in the year ended 31 December 2019. The Executive Chairman was invited to attend both meetings. In accordance with the Committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

REMUNERATION COMMITTEE MEMBERSHIP

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

SUMMARY OF THE COMMITTEE'S RESPONSIBILITIES
The Committee's responsibilities include the following:

> Making recommendations to the Board of Directors on the Company's policy on the remuneration of the Executive Chairman, Executive Directors and other Senior Managers (as are delegated to the Committee to consider);

> Determining, within agreed terms of reference, the remainder of the remuneration packages for each of them, including pension rights, bonus arrangements, any compensation payments and the implementation of executive incentive schemes;

> Monitoring the level and structure of remuneration for senior management; and

> Reviewing the design of share incentive plans for approval by the Board and determining the policy on annual awards to Executive Directors and Senior Managers.

KEY AREAS OF FOCUS IN THE YEAR ENDED 31 DECEMBER 2019
The Committee's particular areas of focus during the year were as follows

> Reviewing share option schemes for all employees;

> Reviewing the Executive Chairman's and Senior Managers' salaries and bonus arrangements for the year;

> Agreement of bonus principles for senior employees.

CHAIRMAN'S STATEMENT
The Directors are pleased to present their Annual Report on Remuneration for 2019. The aim of the Remuneration Committee is to set clear objectives for each individual Executive Director and Executive team member relating to Company KPIs plus individual and strategic targets taking into account where an individual has particular influence and responsibility. During the year the Executive Chairman's salary increased to $606,338 (2018: $515,900) with Non-executive Directors' salaries remaining unchanged in Pound Sterling at $63,825 (2018: $67,000) each. The Committee decided that whilst it has a general framework for targets, it was not appropriate to set specific targets for 2019, and will not set specific targets for 2020 either, as the Company is still in an active acquisition mode and was looking to ensure that the management team focus on evaluating and pursuing further development and acquisition opportunities throughout the year. The three Directors are also shareholders of the Company and during the year Richard Benmore exercised share options and Andrew Austin received new share options following the successful acquisition of the Marathon UK assets.

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

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

The policy, as outlined below, obtained 100% shareholder approval through the votes cast at the AGM held on 4 June 2019. There were no abstentions.

POLICY TABLE
ELEMENT OF REWARD – BASE SALARY

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

ELEMENT OF REWARD – OTHER BENEFITS

PURPOSE AND LINK TO STRATEGY	To provide a basic benefits package, in order to help recruit and retain key individuals.
OPERATION	The Company provides Executive Directors with medical insurance for themselves and their family.
PERFORMANCE CONDITIONS	None.
MAXIMUM OPPORTUNITY	Maximum opportunity will be the expense of providing the benefit.

REMUNERATION COMMITTEE REPORT CONTINUED

ELEMENT OF REWARD – ANNUAL BONUS

PURPOSE AND LINK TO STRATEGY	To incentivise and reward the achievement of annual financial, operational and individual objectives which are key to the delivery of the Company's short-term strategy.
OPERATION	> Executive Directors and staff are eligible to participate in a discretionary bonus plan. > The Remuneration Committee will determine on an annual basis the level of deferral, if any, of the bonus payment into Company shares. > Maximum bonus levels and the proportion payable for on target performance are considered in the light of market bonus levels for similar roles among the industry sector. > Bonuses are not pensionable. > From 2020 objectives will be set annually to ensure that they remain targeted and focused on the delivery of the Company's short-term goals which will usually be based on the annual budget. > The Remuneration Committee sets targets which require appropriate levels of performance, taking into account internal and external expectations of performance. > As soon as practicable after the year-end, the Remuneration Committee meets to review performance against objectives and determines payout levels.
PERFORMANCE CONDITIONS	> At least 50% of the award will be assessed against Company metrics including operational, financial and non-financial performance. The remainder of the award will be based on performance against individual objectives. > A sliding scale of between 0% and 100% of the maximum award is paid dependent on the level of performance.
MAXIMUM OPPORTUNITY	The maximum potential bonus entitlement for Executive Directors under the plan is up to 150% of base salary.

ELEMENT OF REWARD – LONG TERM INCENTIVE PLAN (LTIP)

PURPOSE AND LINK TO STRATEGY	> To incentivise and reward the creation of long-term shareholder value. > To align the interests of the Executive Directors with those of shareholders.
OPERATION	Under the terms of the non-tax advantaged share option plan (the 'Share Option Plan), the Remuneration Committee may issue options over shares up to 10% of the issued share capital of the Company from time to time. Directors and employees are eligible for awards. > The exercise of options may be subject to the satisfaction of such performance conditions, if any, as may be specified and subsequently varied and/or waived by the Remuneration Committee. > The Remuneration Committee determines on an annual basis, and from time to time as needed (i.e., new employee or promotion), the type of awards to be granted to executives and other employees under the plan.
PERFORMANCE CONDITIONS	Vesting of the awards is dependent on financial, operational and/or share price measures, as set by the Remuneration Committee, which are aligned with the long-term strategic objectives of the Company. The relevant performance conditions will be set by the Remuneration Committee on the award of each grant but will include a mixture of strategic, operational, financial and non-financial metrics.

SHARE INVESTMENT PLAN (SIP)

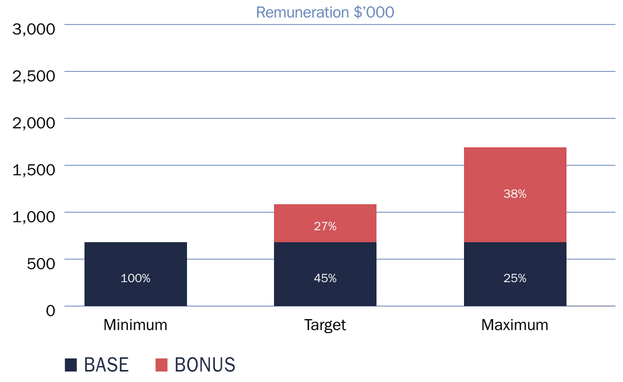
PURPOSE AND LINK TO STRATEGY	> To incentivise and reward the creation of long-term shareholder value. > To align the interests of the eligible employees with those of shareholders.
OPERATION	The Company has adopted an HMRC approved SIP for all employees of the Group. The scheme is a tax efficient incentive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

NOTES ON THE TABLES

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

Remuneration outcomes in different performance scenarios

The following chart shows the potential remuneration available for the Executive Chairman for three different performance scenarios.



Minimum	Basic salary paid only as performance considered below expected targets
Target	Basic salary plus 60% bonus and matching amount of stock options awarded
Maximum	Basic salary plus 150% bonus and matching amount of stock options awarded

Note:
Basic salary comprises salary from 1 January 2019 for Andrew Austin of $606,308, pension allowance of $53,276 and benefits of $15,930.

REMUNERATION COMMITTEE REPORT CONTINUED

POLICY ON PAYMENT FOR LOSS OF OFFICE

In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. Notice periods are set at up to a maximum of 12 months by either party.

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

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

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

LEAVING EVENT	TIME PERIOD	CONDITIONS
Injury, disability, ill-health, redundancy	Option may be exercised within six months of leaving.	Exercise and time vesting provisions per the option certificate. Board can waive if satisfied that such waiver is not rewarding failure.
Death	Option may be exercised by personal representatives within six months of death.	Exercise and time vesting provisions per the option certificate. Board can waive if satisfied that such waiver is not rewarding failure.
Employing company transferred out of Group	Option may be exercised within six months of transfer.	Exercise and time vesting provisions per the option certificate. Board can waive if satisfied that such waiver is not rewarding failure.
Change of control	Option may be exercised within six weeks.	Any option may be exercised within six weeks after the time the controller has obtained control of the Company, and any condition, subject to which the offer is made, has been satisfied.
Resignation or any other reason not mentioned above	Lapse of option unless Board exercises discretion to allow exercise of option in which case within six months of leaving/notice.	If allowed to exercise; Exercise and time vesting provisions per the option certificate; Board can waive if satisfied that such waiver is not rewarding failure.

RECRUITMENT POLICY

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

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

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

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

ANNUAL REPORT ON DIRECTORS' REMUNERATION (AUDITED)

Andrew Austin is currently the only Executive Director and is employed under a service agreement, which is capable of termination, by either party giving 12 months notice in writing. The Non-executive Directors are employed under rolling contracts with notice periods of three months.

Directors' emoluments for the year were as follows:

Single total figures of remuneration

	Salary/fees		Taxable benefits		Bonus		In lieu of pension		LTIP		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Andrew Austin	**$606,338**	$515,900	**$15,930**	$12,912	**$757,922**	$804,000	**$53,276**	$34,000	**$176,500**	Nil	**$1,609,966**	$1,366,812
Richard Benmore	**$63,825**	$67,000	**$7,924**	$10,022	**$510,600**	Nil	**Nil**	Nil	**$704,659**	$47,675	**$1,287,008**	$124,697
John Morrow	**$63,825**	$67,000	**Nil**	Nil	**Nil**	Nil	**Nil**	Nil	**Nil**	Nil	**$63,825**	$67,000

The above amounts have been calculated by translating the GBP amounts to USD at the average rate for the year of $1.28 (2018: $1.34).

At the discretion of the Remuneration Committee, Andrew Austin was paid a bonus of $757,922 (2018: $804,000) and Richard Benmore was paid a bonus of $510,600 (2018: nil) in recognition of significant progress made by the Group during 2019, representing for Andrew Austin a bonus of 125% (2018: 156%) of base salary and 83% (2018: 104%) of bonus entitlement.

The LTIP value shown for Andrew Austin relates to options granted on 26 June 2019, and vest over a period of three years. The LTIP value shown for Richard Benmore relates to options granted on 23 May 2018, and vested on 26 June 2019. The figure has been calculated using the Binomial valuation method.

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

Benefits provided to Andrew Austin and Richard Benmore are the provisions of medical insurance for themselves and their respective families.

UNAPPROVED SHARE OPTION PLAN

	Date of grant	Granted	Basis of grant	Exercise price	Exercised	Waived/lapsed	Earliest vesting date	Lapse date	Performance criteria
Andrew Austin	26/06/19	73,620	Equivalent to the 2019 bonus	815p	Nil	Nil	26/06/20	25/06/29	Time vesting
Richard Benmore	23/05/18	107,817	Calculated on £400,000 for completion of Idemitsu Acquisition	371p	107,817	Nil	Vested and exercised	23/05/28	Time vesting

There were no performance measures associated with Mr. Benmore's options. The options were exercised on 26 June 2019.

The options granted to Mr Austin on 26 June 2019 were given in recognition of the successful Marathon UK Acquisition process.

REMUNERATION COMMITTEE REPORT
CONTINUED

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

	Number of shares held as at 31/12/18	Number of options held as at 31/12/18	Total beneficial interest as at 31/12/18	Total options exercised in 2019	Total options held as at 31/12/2019	Total shares held including exercised options as at 31/12/2019	% shares and options held of total shares in issue as at 31/12/19
Andrew Austin	3,562,784	Nil	3,562,784	Nil	73,620	3,563,574	27.2
Richard Benmore	212,912	107,817	320,729	107,817	Nil	322,045	2.5
John Morrow	212,358	Nil	212,358	Nil	Nil	219,733	1.7

PAYMENTS TO PAST DIRECTORS (AUDITED)
In the year there were no payments to past Directors.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)
No payments were made to Directors for loss of office in the year.

EXECUTIVE CHAIRMAN'S PAY VERSUS SHAREHOLDER RETURN
Below is a graph comparing total shareholder return of the Company compared to the all share UK Oil and Gas Producers index from January 2016 (when the Company was admitted to the London Stock Exchange) to January 2020. The Executive Chairman's remuneration is shown below:

RockRose Energy plc versus FTSE350-share Oil & Gas sector

Executive Chairman's pay	2019 '000	2018 '000	2017 '000
Total remuneration	**$1,610**	$1,542	$1,242
Bonus as % of maximum entitlement	**83%**	104%	67%
Vesting of share options	**Nil**	$5,290	Nil

The total remuneration above includes an expense to the income statement of $176,500 (2018: nil) relating to the valuation of the share options.

In 2019 the Executive Chairman's pay increase was 23% (2018: 0%) versus an average pay increase of 15% (2018: 12%). This % covers the average increase from 2018 to 2019 and includes the employees from the Marathon UK Acquisition from mid-2019.

RELATIVE SPEND ON PAY
The table below shows actual expenditure of the Group for the current financial period and the previous period, benchmarking profitability to payments made to shareholders and employees of the Company.

	2019 '000	2018 '000
Adjusted EBITDA[1]	**97,919**	64,181
Payments to shareholders	**10,372**	51,641
Total staff costs[2]	**28,360**	5,480

1 Adjusted EBITDA is explained in the notes to the financial statements on page 55
2 A breakdown of staff costs incurred is shown in the notes to the financial statements on page 56
3 Excludes remuneration to Directors

The below table shows the pay ratio of the Executive Chairman when compared to the employees as at the end of the year.

Pay ratios	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	A	5.7	4.9	4.8

The Company has chosen to use the full-time equivalent total pay and benefits of the employees as at December 2019 as most of the employees were not part of the Group for the whole year due to the acquisition of the Marathon UK assets on 1 July.

The total pay and benefits used in the above calculation is $40,383,390, and the salary component of this is $31,126,209, for the full year on a pro forma basis.

This is the first year of reporting these ratios and the Company was not required to report this in previous years. The Company believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progressions policies for the Company's UK employees as a whole and is not inconsistent with its industry peers.

By order of the Board

JOHN MORROW
NON-EXECUTIVE DIRECTOR

DIRECTORS' REPORT

The Directors present the audited consolidated financial statements of the Group for the year ended 31 December 2019.

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 paid an interim dividend of 60p and will pay a final dividend of 25p.

POLITICAL DONATIONS
The Group made no political donations during the year.

CHARITABLE DONATIONS
The Group made charitable donations of $15,710 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
Richard Benmore
John Morrow

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

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

SUBSTANTIAL SHAREHOLDINGS
As at 3 April 2020, in addition to the Directors' interests as set out in the Remuneration Report, the Company had received notification from the following institutions and individuals of interests in excess of three per cent of the Company's issued ordinary shares with voting rights:

	Number	%
Cavendish Asset Management	1,288,341	27.2
Macquarie Capital (Europe) Limited	520,040	3.97

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

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

AUDITOR INDEPENDENCE
The Audit Committee continue to review the external auditors' independence and consider the nature, scope, and results of the auditors' work. The Committee recommends that PricewaterhouseCoopers LLP be reappointed as auditor of the Company at the forthcoming AGM.

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. Cash forecasts have been updated in light of COVID-19 and recent oil price volatility. We have run a downside sensitivity forecast at $18/bbl for the remainder of 2020 and $37/bbl for 2021 with a 20% reduction in production to cater for any impacts of COVID-19 or other operational issues. Excluding discretionary capital expenditure but including abandonment expenditure, the Group remains cash flow positive.

A key assumption is the continued availability of surety bonds that we use to cover our obligations under our various Decommissioning Security Agreements (DSAs), refer to note 18.3. At 31 December 2019 the Group had in issue $206.5 million of surety bonds which are redetermined annually with the next redetermination in December 2020. As part of the going concern assessment we have sought advice from our surety bond brokers over the Groups ability to renew surety bonds given the anticipated lower commodity prices. Based on the advice received we believe that the surety market will continue to provide security up to the current and future DSA provisions required despite the anticipated lower commodity price environment that may exist when renewing the bonds in December 2020.

On the basis of the above analysis, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

INFORMATION INCLUDED IN THE STRATEGIC REPORT
The Strategic Report is set out on pages 1 to 23 and includes a comprehensive review of the business and the future developments of the Group.

Other disclosures required by the Companies Act 2006 have been included in the Strategic Report as follows;

Pages 16 to 17 – the Group's financial risk management objectives and policies

Pages 18 to 22 – details on being a responsible business including employee engagement, how the Company works with the community and policies relating to the environment, including greenhouse gas emissions

Page 23 – Stakeholder engagement

Page 18 – Business conduct including anti-slavery and the UK Bribery Act

Page 23 – Events occurring after the reporting period

Page 76 – Acquisitions

Details of any long term incentive schemes can be found within the Remuneration Report on page 41.

CORPORATE GOVERNANCE
The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 25 to 27.

This report was approved by the Board of Directors on 26 March 2020 and signed on its behalf by

ANDREW AUSTIN
EXECUTIVE CHAIRMAN
6 APRIL 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that year. In preparing the financial statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently;

> state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

> make judgements and accounting estimates that are reasonable and prudent; and

> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

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

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

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

> the Parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company;

> the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and

> the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

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

> so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and

> they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

By order of the Board

ANDREW AUSTIN
EXECUTIVE CHAIRMAN
6 APRIL 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCKROSE ENERGY PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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

> give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;

> have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and

> have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Balance Sheets as at 31 December 2019; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

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

INDEPENDENCE

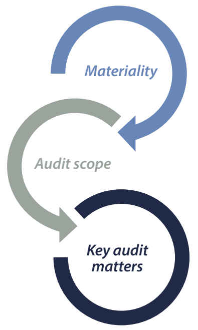
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 5.5 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2019 to 31 December 2019.

OUR AUDIT APPROACH

OVERVIEW



> Overall group materiality: $14,000,000 based on 1% of total assets (2018: $3,500,000).

> Overall company materiality: £2,340,000 based on 1% of total assets (2018: £355,200).

> We conducted full scope audits at 6 significant components based on their size and risk characteristics; three operating entities in the UK, two operating entities in the Netherlands and the head office in London.

> Our audit work enabled us to obtain coverage of 89% of consolidated profit before tax, 98% of consolidated revenue and 81% of total assets for the Group.

> The Group audit team visited the Aberdeen office as part of our audit in order to have sufficient oversight of the work of our component auditors in Aberdeen.

> Accounting for a business combination

> Decommissioning provision

> COVID-19

> Going concern

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCKROSE ENERGY PLC CONTINUED

THE SCOPE OF OUR AUDIT

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

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

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

> Enquiries of management and review of minutes of meetings of the Board of Directors;

> Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the Fair Value of the acquired Marathon UK assets and decommissioning provision;

> Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Accounting for a business combination Refer to page 15 (Strategic Report), Note 20 (Business combination). In 2019, the Group completed the acquisition of the entire membership in Marathon Oil UK LLC (MOUK) and entire issued share capital of Marathon Oil West of Shetland Limited (MOWOS) (together the Marathon UK Acquisition or Marathon UK assets) from Marathon Oil Holdings UK Ltd (MOHL) and Marathon International Oil Holdings LLC (MIOH) respectively. This acquisition has been accounted for under IFRS 3 Business combinations. We focused on this area due to the judgement involved in applying the acquisition method of accounting under IFRS 3. The acquisition method requires the group to fair value consideration paid for the acquisition, and to record acquired assets and liabilities at their fair value. The key area of judgement for the acquired business was the valuation of property, plant & equipment (PPE) and the completeness of decommissioning provisions. The result of management's assessment was a gain on acquisition of $15.2m.	We reviewed management's assessment of the acquisition and concur that the acquired entities meet the definition of a "business" under IFRS 3 and should be accounted for under that standard. In obtaining comfort over the fair value of consideration paid for the acquisition we reviewed the relevant sale and purchase agreements and reviewed other supporting documentation including bank statements and completion statements. The fair value of PPE and decommissioning provisions were key estimates in management's IFRS 3 assessment. The fair value was calculated by management using a discounted cash flow analysis (DCF). We performed the following procedures to obtain comfort over the valuation of PPE: > Obtained the DCF models and checked model functionality and confirmed model integrity; > Compared management's forecast oil and gas prices to consensus forecasts obtained from a collection of brokers and independent consultants. We found that management's forecasts were within a reasonable range; > Reconciled production assumptions to the group's most recent Competent Person's Report (CPR), for those assets subject to the reserves audit process. > Agreed cost assumptions, including opex, and capex, to the historical costs, approved budgets and operator support as applicable. > Benchmarked the key inputs into management's post-tax discount rate used of 10% to arrive at a range we considered reasonable. Management's discount rates for each asset were within this range. The amount of decommissioning provisions were determined by operators and asset managers. The procedures performed over decommissioning provisions are disclosed in the Key Audit Matter below. Based on procedures performed we found management's assumptions to be balanced and the fair values to be supportable.
Decommissioning provisions Refer to page 29 (Strategic Report), Note 14 (Provisions). The decommissioning provision has increased to $1,095m (FY18: $340m) and has been made for the decommissioning of the Group's share of oil and gas activities. The Marathon UK Acquisition described above has led to a significant increase in the overall decommissioning liability of $760m. The decommissioning costs are expected to be incurred between the reporting date and 2038.	The key inputs into the valuation of decommissioning provisions were checked as follows: > Future cost estimates were compared to latest operator forecasts where applicable. The timing of decommissioning cash flows was also checked for consistency with the PPE valuation models and operator statements. > Future cost estimates are expected to be denominated in GBP for the UK assets and in EUR for the Netherlands assets. We reviewed the foreign exchange rates adopted by management in converting GBP costs into USD and EUR costs into USD. We compared these assumptions to a range of economic forecasts and found them to be reasonable. > Cost estimates were expressed in nominal terms. Management inflated costs at a rate of 2% per year up to the expected year of decommissioning spend and then discounted these inflated estimates using a 2% discount rate. Management revised the discount rate applied to the Marathon UK assets and increased it from 0.4% to 2% as at the acquisition date to align with the Group. We independently benchmarked management's assumptions, considering a range of economic data. We performed sensitivity analysis to consider the impact of variations and do not note a material difference. Based on the procedures performed, we found management's assumptions to be balanced and the value of the decommissioning liability to be supportable.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCKROSE ENERGY PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
COVID-19 Refer to page 38 (Directors' Report) and pages 82 and 102 (Notes to the Consolidated and Company financial statements, respectively). The international outbreak of COVID-19 in early 2020 has affected business and economic activity around the world, including the United Kingdom and the Netherlands where the Group operates. Given the spread of COVID-19, the range of the potential outcomes are difficult to predict, but include a prolonged global recession and long term decrease in commodity prices, including oil. The Group is monitoring the COVID-19 outbreak developments closely and is following the guidance of the World Health Organisation and abiding by the requirements of the United Kingdom government, however the virus has the potential to cause disruption to the Group's operational activities and impact earnings, cash flows and financial conditions. The Group has made an assessment of the impact of COVID-19 on its operations and ability to continue as a going concern; for the details please refer to the key audit matter below.	We concur with management that the COVID-19 outbreak and geopolitical factors which together have led to a decrease in oil price is a result of conditions that arose after the balance sheet date and as a result are non-adjusting post balance events. As such we concluded that management's future assumptions used in determining fair values for acquisition accounting and impairment assessments performed as at 31 December 2019 should not be adjusted. We have reviewed the disclosures included in the Annual Report in respect of this risk, including principal risk and uncertainties, going concern, impairment sensitivities and post balance sheet events and consider them reasonable. The impact of COVID-19 on the Group's ability to continue as a going concern is considered in the Key Audit Matter below.
Going concern Refer to page 17 (Strategic Report), page 38 (Directors' Report) and pages 82 and 102 (Notes to the Consolidated and Company financial statements, respectively). The Group has assessed the impact of the aforementioned COVID-19 outbreak and recent decrease of oil prices on its ability to continue as a going concern. Cash forecasts have been updated in light of COVID-19 and recent oil price volatility. The Group has run a downside sensitivity forecast at $18/bbl for the remainder of 2020 and $37 for 2021 with a 20% reduction in production to cater for any impacts of COVID-19 or other operational issues. Excluding discretionary capital expenditure but including abandonment expenditure, the Group remains cash flow positive. A key assumption is the continued availability of surety bonds that the Group use to cover their obligations under various Decommissioning Security Agreements (DSAs), refer to note 18.3. At 31 December 2019 the Group had in issue $206.5 million of surety bonds which are redetermined annually with the next redetermination in December 2020. The Group believes that the Surety Market will continue to provide security up to current and future DSA provisions required despite the anticipated lower commodity price environment that may exist when renewing bonds in December 2020. On the basis of the above analysis, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.	In assessing the appropriateness of the going concern assumption used in preparing the financial statements, we: > Checked the mathematical accuracy of Management's cash flow forecast and validated the opening cash position; > Validated Management's underlying cash flow projections for the Group to other external and internal sources; > Performed sensitivity analysis to assess the impact of the key assumptions underlying the forecast such as a reduction in oil price and reduced production, and the Group's ability to take mitigating actions, if required; > Obtained a letter from the Group's surety bond brokers over the Group's ability to renew surety bonds. Based on the advice received we concur with Management that that the Surety Market is likely to continue to provide security up to current and future DSA provisions required despite the anticipated lower commodity price environment that may exist when renewing bonds in December 2020; and > Reviewed the completeness and appropriateness of Management's going concern disclosures as disclosed in the financial statements. Our conclusions on going concern are set out later in this report.

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

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

As discussed in the Key Audit Matters section above, in 2019 the Group completed the acquisition of the Marathon UK entities. This acquisition has contributed materially to the consolidated balance sheet in the 2019 financial statements, with the assets and liabilities acquired in these business combinations accounted for at fair value.

We performed full scope audit procedures over the financial information of the Marathon UK entities, which had an effective date of acquisition of 1 July 2019. Separately, we audited the fair value adjustments to the book values of the acquired entities.

We have also performed a full scope audit of the existing entities of RockRose (UKCS4) Limited, RockRose (NL) CS1 B.V., RockRose (NL) Infrastructure B.V. and RockRose Energy plc's company only financial information.

Together this ensured 100% of total assets and 98% of revenues were in scope for testing. All audit procedures were performed by the UK engagement team.

MATERIALITY

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	$14,000,000 (2018: $3,500,000).	£2,340,000 (2018: £355,200).
How we determined it	1% of total assets.	1% of total assets.
Rationale for benchmark applied	The Group made a significant acquisition of oil and gas assets during the year. Following these acquisitions, a significant portion of the Group's value is captured in oil and gas assets, so we believe an asset measure is the most relevant to shareholders.	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.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between $480,000 and $13,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $700,000 (Group audit) (2018: $172,900) and £117,000 (Company audit) (2018: £17,700) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCKROSE ENERGY PLC CONTINUED

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

> the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

REPORTING ON OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on page 40, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

USE OF THIS REPORT

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

> we have not received all the information and explanations we require for our audit; or

> adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

> certain disclosures of directors' remuneration specified by law are not made; or

> the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the audit committee, we were appointed by the directors on 25 November 2015 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2016 to 31 December 2019.

Richard Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Revenue	3.1	**250,987**	153,072
Cost of sales	5.2	**(208,745)**	(105,356)
Gross profit		**42,242**	47,716
Administrative expenses		**(18,220)**	(11,649)
Acquisition and relisting expenses	4	**(10,940)**	(1,000)
Change in estimate of decommissioning provisions	14	**76,360**	14,302
Gain/(loss) on derivatives	5.1	**10,697**	(6,399)
Gain on acquisition	20.1	**15,242**	–
Impairment of goodwill	9	**–**	(18,660)
Operating profit		**115,381**	24,310
Finance income	5.4	**1,703**	51
Finance costs	5.4	**(21,674)**	(14,996)
Foreign exchange gain/(loss)		**7,496**	(1,987)
Profit before income tax		**102,906**	7,378
Income tax (expense)/credit	6.1	**(18,815)**	31,481
Profit for the year attributable to shareholders		**84,091**	38,859
Earnings per share			
Basic (cents)	26	**654**	261
Diluted (cents)	26	**651**	242

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 $'000	2018 $'000
Profit for the year attributable to shareholders	**84,091**	38,859
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(83)**	–
Items that will not be reclassified to profit or loss:		
Actuarial gains on defined benefit pension scheme	**2,305**	–
Deferred tax movement on defined benefit pension scheme	**(392)**	–
Other comprehensive income for the year, net of tax	**1,830**	–
Total comprehensive income for the year attributable to shareholders	**85,921**	38,859

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2019

	Note	31 December 2019 $'000	31 December 2018 $'000 *(Restated)**
ASSETS			
Non-current assets			
Property, plant and equipment	7	406,395	359,293
Right-of-use assets	8.1	8,665	–
Investment properties		1,427	–
Intangible assets	9	35,841	32,287
Employee benefit assets	10	110,605	–
Deferred tax assets	6.3	438,610	67,500
		1,001,543	459,080
Current assets			
Inventories	11	29,911	5,090
Trade and other receivables	12.1	63,945	27,943
Current tax receivable		5,654	–
Financial assets (FVPL)	12.4	2,685	204
Cash and cash equivalents	12.2	315,799	67,944
Restricted cash	12.3	59,742	53,347
		477,736	154,528
Total assets		1,479,279	613,608
LIABILITIES			
Non-current liabilities			
Lease liabilities	8.1	5,749	–
Deferred income		6,995	–
Deferred tax liabilities	6.3	81,101	90,288
Provisions	14	1,069,353	364,717
		1,163,198	455,005
Current liabilities			
Lease liabilities	8.1	4,257	–
Trade and other payables	12.5	116,498	56,291
Current tax liabilities		5,717	23,012
Financial liabilities (FVPL)	12.6	9,724	724
Provisions	14	25,938	5,119
		162,134	85,146
Total liabilities		1,325,332	540,151
Net assets		153,947	73,457
EQUITY			
Share capital and share premium	15	5,304	3,678
Other reserves		36,033	32,718
Retained earnings		112,610	37,061
Total equity		153,947	73,457

* Comparative financial information was restated, for the details refer to note 27.1.5.

These financial statements on pages 48 to 92 were approved by the Board of Directors on 6 April 2020 and were signed on its behalf by:

ANDREW AUSTIN
EXECUTIVE CHAIRMAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital $'000	Share premium $'000	Other reserves $'000 *(Restated)**	Retained earnings $'000 *(Restated)**	Total $'000
Balance at 1 January 2018		4,269	9,902	(75)	71,228	85,234
Profit for the year		–	–	–	38,859	38,859
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the year		–	–	–	38,859	38,859
Transactions with owners						
Issue of share capital		40	129	–	–	169
Buy-back of share capital *(Restated)**		(760)	–	–	(21,281)	(22,041)
Employee share incentive plan		–	–	291	–	291
Issue of B shares *(Restated)**		–	(9,902)	–	(20,458)	(30,360)
Shareholders distribution		–	–	30,360	(30,360)	–
Transfer of reserves *(Restated)**		–	–	2,142	(927)	1,215
		(720)	(9,773)	32,793	(73,026)	(50,726)
Balance at 31 December 2018 *(Restated)**		3,549	129	32,718	37,061	73,457
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	15	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

* Comparative financial information was restated, for the details refer to note 27.1.5.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000 (Restated)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16.1	**121,700**	87,983
Interest received		**1,703**	51
Interest paid		**(3,277)**	(3,711)
Decommissioning spend		**(9,423)**	(2,402)
Income taxes paid		**(10,098)**	(4,534)
Net cash inflow from operating activities		**100,605**	77,387
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from/(payment for) acquisition of subsidiaries	20.1	**239,097**	(11,773)
Payment for intangible assets		**(4,573)**	(215)
Payment for property, plant and equipment		**(72,330)**	(10,414)
Net cash generated from/(used in) investing activities		**162,194**	(22,402)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**1,626**	169
Distribution to Company's shareholders		**–**	(30,360)
Payments for shares bought back		**–**	(22,041)
Dividends paid to Company's shareholders		**(10,372)**	–
Principal elements of lease payments		**(2,048)**	–
Net cash used in financing activities		**(10,794)**	(52,232)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**252,005**	2,753
Cash and cash equivalents at 1 January		**67,944**	64,955
Effect of foreign exchange rate		**(4,150)**	236
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**315,799**	67,944

* Presentation of the Statement of Cash Flows was changed from the prior year, for details refer to note 27.1.5.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION
RockRose Energy plc (the Company or together with its subsidiaries, the Group or RockRose) has been formed to make acquisitions of companies or businesses in the upstream oil and gas and power sector.

The Company is a public limited company incorporated on 1 July 2015, which is listed on the London Stock Exchange and incorporated and domiciled in England and Wales, limited by shares.

The address of its registered office is 9th Floor, 107 Cheapside, London, United Kingdom, EC2V 6DN.

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:
> The acquisition of the entire membership in Marathon Oil UK LLC (MOUK) and entire issued share capital of Marathon Oil West of Shetland Limited (MOWOS) (together the Marathon UK Acquisition or Transaction assets) from Marathon Oil Holdings UK Ltd (MOHL) and Marathon International Oil Holdings LLC (MIOH) respectively. The total consideration payable under the Marathon UK Acquisition was cash of US$95.4 million. The Marathon UK Acquisition completed on 1 July 2019 (see note 20.1)
> Acquisition and relisting expenses in relation to the Marathon UK Acquisition and relisting on the Main Market of the London Stock Exchange (see note 4)
> Change in estimates in respect of decommissioning provisions (see note 14)
> The adoption of the new accounting standard for leases (see note 27.24)
> Gain on commodity hedges of $10.7 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 11 to 15.

3. SEGMENT INFORMATION
3.1. DESCRIPTION OF SEGMENTS AND PRINCIPAL ACTIVITIES
The Group's strategic steering committee (our chief operating decision maker (CODM)), consisting of the Executive Chairman, Managing Director, the Chief Financial Officer and the Finance Director, examines the Group's performance both from a product and geographic perspective and has identified three segments of its business:
> Oil – this part of the business includes crude oil products from UK and Dutch assets;
> Gas – this part of the business includes all gas products produced from the UK and Dutch assets;
> Infrastructure – this part of the business includes tariff income from infrastructures, i.e. pipelines;
> All other segments – the gas storage rental fees and corporate overheads are included within other. The combined revenue to external customers and inter-segment revenues, reported profit or loss and total assets are less than 10% of all operating segments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SEGMENT INFORMATION CONTINUED

The steering committee primarily uses a measure of Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA, see note 3.2) to assess the performance of the operating segments. The information reported to the steering committee does not include analysis of assets and liabilities and accordingly this information is not provided. Refer to note 27.3 for details of changes in segmental reporting.

Year ended 31 December 2019 $'000	Oil	Gas	Infrastructure	All other segments	Total
Revenue by geographic location					
UK	158,828	12,598	12,397	77,107	260,930
Netherlands	14,951	49,434	25,816	2,205	92,406
Gross revenue	173,779	62,032	38,213	79,312	353,336
Intersegment revenue	–	–	(25,816)	(76,533)	(102,349)
Total revenue	173,779	62,032	12,397	2,779	250,987
Unit opex/boe	44	12	–	–	–
Adjusted EBITDA (see note 3.2)	57,271	9,558	23,839	7,251	97,919
Other disclosures:					
Capital expenditure	27,157	49,746	–	–	76,903
Abandonment expenditure	6,875	2,548	–	–	9,423
Depreciation and amortisation expense	21,259	34,952	3,316	358	59,885

Year ended 31 December 2018 $'000	Oil	Gas	Infrastructure	All other segments	Total
Revenue by geographic location					
UK	124,246	5,281	–	–	129,527
Netherlands	3,489	19,358	3,397	698	26,942
Gross revenue	127,735	24,639	3,397	698	156,469
Intersegment revenue	–	–	(3,397)	–	(3,397)
Total revenue	127,735	24,639	–	698	153,072
Unit opex/boe	33	15	–	–	–
Adjusted EBITDA (see note 3.2)	61,097	10,843	3,002	(10,761)	64,181
Other disclosures:					
Capital expenditure	3,626	7,003	–	–	10,629
Abandonment expenditure	1,517	885	–	–	2,402
Depreciation and amortisation expense	20,834	13,388	–	–	34,222

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

Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Abandonment expenditure consists of $8.5 million in the UK and $0.9 million in the Netherlands during 2019. ($1.5 million in the UK and $0.9 million in the Netherlands during 2018).

All of the Group's segment assets are located in the European Union, $1,309.5 million (2018: $305.4 million) in the UK and $174.6 million (2018: $240.7 million) in the Netherlands.

3.2. ADJUSTED EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) has been Adjusted (Adjusted EBITDA) in order to exclude the effects of non-cash and/or non-recurring items of income and expenditure which may distort the quality of earnings such as the cost associated with acquisitions and relisting, gains or losses on acquisitions, changes in decommissioning cost estimates, and impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments and unrealised gains or losses on commodity hedges.

	2019 $'000	2018 $'000
Operating profit	115,381	24,310
Depreciation and amortisation expense	59,885	34,222
Acquisition and relisting expenses	10,940	1,000
Gain on bargain purchase	(15,242)	–
Change in estimate of decommissioning provisions	(76,360)	(14,302)
Impairment of goodwill	–	18,660
Share options and rights granted to Directors and employees	3,315	291
Adjusted EBITDA	97,919	64,181

4. ACQUISITION AND RELISTING EXPENSES

	2019 $'000	2018 $'000
Legal and consultancy fees	10,225	1,000
IT transition related fees	715	–
	10,940	1,000

All acquisition related expenditures were expensed to profit or loss account and were associated with the Marathon UK Acquisition and subsequent relisting of the Company on 24 July 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

	2019 $'000	2018 $'000
Realised gain/(loss) on oil hedges	**10,697**	(6,399)

5.2. BREAKDOWN OF COST OF SALES BY NATURE

	2019 $'000	2018 $'000
Production costs	**145,862**	68,987
Tariff and transportation expenses	**13,262**	4,861
Change in oil inventory value	**(10,068)**	(1,705)
Depreciation, depletion and amortisation*	**59,689**	33,213
	208,745	105,356

* Excludes the depreciation charge on administrative assets and associated foreign exchange impact on translation from functional to presentational currency of $0.2 million (2018: $0.3 million).

5.3. STAFF COSTS

	2019 $'000	2018 $'000
Wages and salaries (gross)	**26,330**	4,516
Social security costs	**3,677**	539
Defined contribution pension costs	**2,042**	134
Defined benefit pension costs	**9,291**	–
Expense of share-based payments	**3,315**	291
Other staff costs	**3,094**	–
Recharges to JV partners	**(20,567)**	–
	27,182	5,480

Refer to Remuneration Committee report on page 35 for details of highest paid Director. Of the total amount of $28.5 million staff cost, $13.6 million recognised as administrative expenses, $6.9 million as cost of sales and $8.0 million recognised as defined benefit scheme asset (the amount recognised as defined benefit scheme asset on a gross basis was $10.6 million).

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

	2019	2018
Operations	**123**	1
Administrative	**38**	13
	161	14

5.4. FINANCE INCOME AND COSTS

	2019 $'000	2018 $'000
Finance income	**1,703**	51
Finance costs	**(3,277)**	(3,711)
Unwinding of the discount on provisions (note 14)	**(18,397)**	(11,285)
	(19,971)	(14,945)

5.5. AUDITORS' REMUNERATION

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

	2019 $'000	2018 $'000
Fees payable to the Company's auditors for the audit of the parent company and Group financial statements	**400**	250
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries	**526**	225
Audit related assurance services (interim review)	**28**	25
Corporate finance services*	**682**	80
	1,636	580

* 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 (expense)/credit, and shows how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

6.1. INCOME TAX (EXPENSE)/CREDIT

	2019 $'000	2018 $'000
Current tax:		
Current tax credit on profits for the year	**23,429**	–
Current overseas tax:		
Current tax charge on profits for the year	**(7,492)**	(6,720)
Total current tax credit/(expense)	**15,937**	(6,720)
Deferred tax:		
Relating to the origination and reversal of temporary differences	**(43,506)**	32,601
Adjustment in respect of prior periods	**1,359**	5,600
Deferred overseas tax:		
Relating to the origination and reversal of temporary differences	**420**	–
Adjustments in respect of changes in tax rates	**6,371**	–
Adjustment in respect of prior periods	**604**	–
Total deferred tax (expense)/credit	**(34,752)**	38,201
Income tax (expense)/credit	**(18,815)**	31,481

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. INCOME TAX EXPENSE CONTINUED

6.2. RECONCILIATION OF TOTAL INCOME TAX CHARGE

A reconciliation between the income tax (expense)/credit and the product of accounting profit multiplied by the combined UK ring-fence corporation tax and supplementary charge rate of 40.0% (2018: 40.0%) and non-ring-fence tax rate of 19.0% (2018: 19.0%) for the year ended 31 December 2019 is as follows:

	2019 $'000	2018 $'000
Accounting profit before income tax	**102,906**	7,378
A combined UK ring-fence corporation tax and supplementary charge rate of 40.0% (2018: 40.0%) and non-ring-fence tax rate of 19.0% (2018: 19.0%)	**(42,492)**	(2,951)
Expenses not deductible for tax purposes	**5,977**	3,720
Finance cost not allowable for Supplementary Charge Tax (SCT)	**–**	(7)
Small field and investment allowances	**4,252**	239
Prior period adjustments	**(667)**	5,600
Amounts previously not recognised, now recognised	**–**	54,479
Amounts previously recognised, now not recognised	**–**	(11,606)
Petroleum Revenue Tax (PRT)	**1,859**	(8,813)
Change in unrecognised deferred tax	**2,606**	(3,829)
Difference in overseas tax rates	**3,247**	(3,043)
Other differences	**6,403**	(2,308)
Total tax (expense)/credit	**(18,815)**	31,481

6.3. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2019 $'000	31 December 2018 $'000 *(Restated)*
Deferred tax assets		
Deferred Petroleum Revenue Tax (PRT)	**123,770**	–
Accelerated capital allowances – Corporation Tax	**(80,022)**	(47,945)
Decommissioning provisions	**383,785**	87,147
Tax losses	**29,610**	24,862
Other temporary differences	**(18,533)**	3,436
	438,610	67,500
Deferred tax liability		
Accelerated capital allowances – Corporation Tax	**(76,713)**	(97,185)
Decommissioning provisions	**(4,388)**	6,897
Tax losses	**–**	–
Other temporary differences	**–**	–
	(81,101)	(90,288)
Net deferred tax asset/(liability)	**357,509**	(22,788)

Deferred tax assets and liabilities include net $125 million payables within 12 months (2018: $29.4 million). The deferred tax charge was recognised within the profit or loss accounts, with the exception of 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 $50.3 million (2018: $64.7 million) of ring-fence corporation tax losses and $94.7 million (2018: $43.2 million) of allowances relievable against the supplementary charge.

The Group has further UK tax losses of approximately $65.1 million (2018: $51.8 million) ring-fenced and $23.0 million (2018: $17.7 million) non-ring-fenced, in respect of which no deferred tax asset is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits.

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

7. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas assets $'000	Development assets $'000	Administrative assets $'000	Total $'000
Cost				
At 1 January 2018	181,353	–	641	181,994
Acquired through business combinations (note 20.2)	73,245	–	–	73,245
Fair value adjustments (note 20.2)	136,611	–	–	136,611
Additions	9,157	1,257	–	10,414
Change in decommissioning estimates (note 14)	(7,080)	–	–	(7,080)
At 31 December 2018	393,286	1,257	641	395,184
Acquired through business combinations (note 20.1)	**50,486**	**–**	**592**	**51,078**
Additions	**33,054**	**38,934**	**342**	**72,330**
Change in decommissioning estimates (note 14)	**(9,469)**	**–**	**–**	**(9,469)**
Exchange differences	**(9,575)**	**–**	**–**	**(9,575)**
At 31 December 2019	**457,782**	**40,191**	**1,575**	**499,548**
Accumulated depreciation and impairment				
At 1 January 2018	(1,655)	–	(14)	(1,669)
Depreciation charge	(33,913)	–	(309)	(34,222)
At 31 December 2018	(35,568)	–	(323)	(35,891)
Depreciation charge	(57,107)	–	(155)	(57,262)
At 31 December 2019	**(92,675)**	**–**	**(478)**	**(93,153)**
Net book value				
At 31 December 2019	**365,107**	**40,191**	**1,097**	**406,395**
At 31 December 2018	357,718	1,257	318	359,293

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 $85.8 million (2018: $106.9 million) relating to capitalised decommissioning provisions on producing assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. PROPERTY, PLANT AND EQUIPMENT CONTINUED

7.1.2. APPRAISAL AND DEVELOPMENT ASSETS

Please refer to note 9.1 for Group's policy on appraisal and development assets. In prior years, the development assets were included within O&G 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.

Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively. For details of the Group's reserves please refer to the Executive Chairman's Statement on pages 8 to 10.

7.1.4. ADMINISTRATIVE ASSETS

The Company 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.

This review exercise has demonstrated that no indicators of impairment existed at the balance sheet date, with positive headroom for all of the Group's O&G assets. As an additional down-side sensitivity, a valuation was performed with $40 per barrel (excluding premiums) oil price for 2020 and $54 per barrel (excluding premiums) long-term oil price, given the recent declines in oil price and on the basis that the assets are most sensitive to movements in oil price. Under this sensitivity the Nelson and Howe valuation indicated a potential deficit of $8.6 million, Ross and Blake valuation indicated a potential deficit of $4.8 million and the Tors valuation indicated a potential deficit of $2.9 million. This was a simple sensitivity exercise, looking at an illustrative change in the forecast long-term oil and gas prices in isolation. In reality, a deterioration in the long-term oil and gas price environment is likely to result in corresponding improvements in a range of input cost factors, as well as potential operational changes, which could partly mitigate these estimated potential deficits.

8. LEASES

This note provides information for leases where the Group is a lessee.

8.1. AMOUNTS RECOGNISED IN THE BALANCE SHEET

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	31 December 2019 $'000	1 July 2019* $'000	1 January 2019 $'000
Properties	3,219	3,176	693
Other assets	5,446	3,610	–
	8,665	6,786	693
Lease liabilities			
Current	4,257	3,795	693
Non-current	5,749	3,190	–
	10,006	6,985	693

* Acquired through business combination

For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 27.24.4.

Additions to the right-of-use assets during the 2019 financial year were $3.8 million (2018: nil).

8.2. AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	2019 $'000	2018 $'000
Properties	846	–
Other assets	1,778	–
	2,624	–
Interest expense (included in finance cost)	41	–
Expense relating to short-term leases (included in cost of sales and administrative expenses)	1,215	–
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	27	–

The total cash outflow for leases in 2019 was $1.9 million (2018: $0.2 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. LEASES CONTINUED

8.3. THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases offices in London and Aberdeen, IT equipment and support vessels. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The remaining useful life of right-of-use assets:

	2019
London – office buildings	3 years
Aberdeen – office buildings	4 years
Aberdeen – vehicles	2 years
Aberdeen – plant and machinery (support vessels)	Between 1 month and 2 years

Until the end of the 2018 financial year, leases of property, plant and equipment 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.

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.

8.4. EXTENSION AND TERMINATION OPTIONS

Extension and termination options are included in property and equipment leases across the Group. These terms are used to maximise operational flexibility. All extension and termination options held are exercisable only by the Group and not by the respective lessor.

9. INTANGIBLE ASSETS

	Goodwill $'000	Appraisal and development assets $'000	Group $'000
At 1 January 2018	–	1,723	1,723
Acquired through business combinations	18,660	30,349	49,009
Additions	–	215	215
Impairment	(18,660)	–	(18,660)
At 31 December 2018	–	32,287	32,287
Additions	–	4,573	4,573
Exchange differences	–	(1,019)	(1,019)
At 31 December 2019	–	**35,841**	**35,841**

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 ongoing development, and therefore whether the carrying value of appraisal and development assets will ultimately be recovered, is inherently uncertain.

During 2018, goodwill was recognised as a part of the acquisition of Dyas B.V. but was immediately impaired.

No indicators of impairment have been identified as at 31 December 2019.

9.1. 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 as tangible or intangible depending on the nature of the asset. A&D assets within intangible assets are not amortised.

The Company 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.

In prior years, appraisal and development assets were named exploration and evaluation assets.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. EMPLOYEE BENEFIT OBLIGATIONS

Marathon UK previously operated a defined benefit scheme (regulated by pensions regulator) for certain employees with assets held in a separately administered fund, post the Marathon UK Acquisition (1 July 2019), when 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 UKCS8 LLC (UKCS8) agreed a funding plan with the Trustees whereby annual contributions of £13 million will be made until 31 December 2020, with an additional voluntary contribution of £4 million per annum to be paid effective from 1 July 2019.

	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
At 1 July 2019	561,768	(653,509)	(91,741)
Interest expense/(income)	7,016	(8,394)	(1,378)
Loss on changes/introductions	–	–	–
Total amount recognised in profit or loss	7,016	(8,394)	(1,378)
Remeasurements:			–
Return on plan assets	–	5,812	5,812
Effect of changes in financial assumptions	(7,721)	–	(7,721)
Effect of change in demographic assumptions	(396)	–	(396)
Total amount recognised in other comprehensive income	(8,117)	5,812	(2,305)
Contributions:			
Employers	–	(10,649)	(10,649)
Benefit payments	(15,786)	15,786	–
Foreign exchange translation adjustment	22,122	(26,654)	(4,532)
At 31 December 2019	567,003	(677,608)	(110,605)

On 1 April 2010, UKCS8 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 and defined contribution scheme were US$1.8 million, for the second half of 2019.

A comprehensive actuarial valuation of the UKCS8 pension scheme, using the projected unit basis was carried out at 31 March 2016 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 2019	1 July 2019
Discount rate	2.10%	2.27%
Future salary increases	0.00%	0.00%
Future pension increases	2.70%	3.1%
Inflation assumption	2.00%	2.22%
Mortality rates		
– for a male aged 65 now	22.4	22.4
– at 65 for a male aged 45 now	23.7	23.7
– for a female aged 65 now	24.5	24.5
– at 65 for a female aged 45 now	26.2	26.2

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

	31 December 2019 $'000	1 July 2019 $'000
Cash and cash equivalents	3,480	5,968
Fixed-interest gilts	247,401	43,425
Index-linked gilts	197,098	174,591
Insured pension	1,441	–
Corporate bonds	157,941	142,974
Diversified growth funds	70,247	94,850
Equity	–	191,732
Total scheme assets	677,608	653,540

11. INVENTORIES

	31 December 2019 $'000	31 December 2018 $'000
Raw materials and stores	8,978	–
Oil and gas inventories	20,933	5,090
Total inventories	29,911	5,090

The carrying value of the Group's inventories as stated above is based on the Group's accounting policy for inventories in note 27.11.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the Group's financial instruments, including:
> an overview of all financial instruments held by the Group;
> specific information about each type of financial instrument;
> accounting policies; and
> 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 2019 $'000	31 December 2018 $'000
Financial assets			
Financial assets at amortised cost			
Trade receivables	12.1	**29,842**	23,502
Amounts owed by joint venture partners	12.1	**12,917**	–
Other financial assets	12.1	**21,186**	4,441
Cash and cash equivalents	12.2	**315,799**	67,944
Restricted cash	12.3	**59,742**	53,347
Financial assets at fair value through profit or loss (FVPL)	12.4	**2,685**	204
Financial liabilities			
Liabilities at amortised cost			
Trade and other payables	12.5	**50,104**	36,886
Other financial liabilities	12.5	**64,971**	19,405
Lease liabilities	8.1	**10,006**	–
Financial liabilities at fair value through profit or loss (FVPL)	12.6	**9,724**	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.

12.1. TRADE AND OTHER FINANCIAL ASSETS AT AMORTISED COST

	31 December 2019 $'000	31 December 2018 $'000
Trade receivables	**29,842**	23,502
Amounts owed by joint venture partners	**12,917**	–
Accrued income	**10,397**	–
Other receivables	**10,799**	4,441
Total trade and other financial assets at amortised cost	**63,945**	27,943

12.1.1. CLASSIFICATION AS TRADE AND OTHER RECEIVABLES

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

12.1.2. FAIR VALUES OF TRADE AND OTHER RECEIVABLES

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

12.1.3. IMPAIRMENT AND RISK EXPOSURE

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

12.2. CASH AND CASH EQUIVALENTS

	31 December 2019 $'000	31 December 2018 $'000
Cash at bank and in hand	**236,369**	67,944
Term deposits	**79,430**	–
Total cash and cash equivalents	**315,799**	67,944

12.2.1. RECONCILIATION TO CASH FLOW STATEMENT

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

12.2.2. CLASSIFICATION AS CASH EQUIVALENTS

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See note 27.13 for the Group's other accounting policies on cash and cash equivalents.

12.3. RESTRICTED CASH

	31 December 2019 $'000	31 December 2018 $'000
Restricted cash	**59,742**	53,347

12.3.1. RESTRICTED CASH

Restricted cash balances are amounts deposited with Trustees or banks issuing:
> Surety bonds, under the terms of various decommissioning security agreements in place on certain fields in which the Group has an interest
> Letters of Credit, under the terms of the defined benefit scheme

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTINUED

12.4. 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 (FVPL).

	31 December 2019 $'000	31 December 2018 $'000
Underlift	2,685	204

See note 27.17 for the remaining relevant accounting policies.

12.4.1. AMOUNTS RECOGNISED IN PROFIT OR LOSS

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

	2019 $'000	2018 $'000
Change in inventory	10,068	1,705
Gain/(loss) on hedging derivatives	10,697	(6,399)

12.4.2. 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 12.7.1.

12.5. TRADE AND OTHER PAYABLES AT AMORTISED COST

	31 December 2019 $'000	31 December 2018 $'000
Trade payables	50,104	36,886
Accruals	60,344	15,794
Deferred income	1,423	–
Other payables	4,627	3,611
Total trade and other payables at amortised cost	116,498	56,291

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.

12.6. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 December 2019 $'000	31 December 2018 $'000
Overlift	9,724	724

12.7. RECOGNISED FAIR VALUE MEASUREMENTS

12.7.1. 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 (FVPL) at 31 December 2019 and 31 December 2018 on a recurring basis:

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

31 December 2018	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets			
Underlift	204	–	204
Total financial assets	204	–	204
Financial liabilities			
Overlift	724	–	724
Total financial liabilities	724	–	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 2019 or 31 December 2018.

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 2019 or 31 December 2018.

12.7.2. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. NON-FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

> specific information about each type of non-financial asset and non-financial liability
- property, plant and equipment (note 7)
- leases (note 8)
- intangible assets (note 9)
- current and deferred tax balances (note 6)
- pension assets (note 10)
- inventories (note 11)
- provisions (note 14)

> accounting policies

> information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved (note 17).

14. PROVISIONS

	Decommissioning provision $'000	Other provisions $'000	Total provision $'000
At 1 January 2018	252,553	54	252,607
Acquired through business combinations	128,689	–	128,689
Utilisation	(2,402)	–	(2,402)
Changes in estimates	(20,343)	–	(20,343)
Unwinding of the discount	11,285	–	11,285
At 31 December 2018	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**

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 2.0% (2018: 1.9%), 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 2020 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 changes in estimates are principally the result of delaying Cessation of Production (CoP) at Brae Alpha by at least three years to 2030, extending CoP at East Brae by two years to 2021, reduction in decommissioning cost estimates across the Brae Complex, and a revision of economic assumptions (including foreign exchange and discount rates).

As a consequence of decommissioning assets being all but fully depreciated, only $9.5 million (2018: $7.1 million) of the $86.0 million (2018: $30.3 million) change in estimates has been taken to decommissioning assets within property, plant and equipment (see note 7), with the balance of $76.4 million (2018: $14.3 million) taken to the profit or loss account.

The above decommissioning provision of $1,095.3 million (2018: $369.8 million) includes $25.9 million (2018: $5.1 million) classified within current liabilities.

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

15. SHARE CAPITAL AND PREMIUM

	Shares number	Share capital $'000	Share premium $'000	Total $'000
Issued and fully paid at 1 January 2018	15,333,334	4,269	9,902	14,171
Issue of new (ordinary) shares	181,509	40	129	169
Cancellation of shares/share buy-back	(2,923,240)	(760)	(9,902)	(10,662)
Balance 31 December 2018	12,591,603	3,549	129	3,678
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**

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

16. CASH FLOW INFORMATION

16.1. CASH GENERATED FROM OPERATIONS

	31 December 2019 $'000	31 December 2018 $'000
Cash flows from operations		
Profit before income tax	**102,906**	7,378
Non-cash adjustments to reconcile profit before tax for the year to net cash flows:	**–**	
Foreign exchange (gain)/loss on operating activities	**(7,496)**	1,987
Finance costs	**21,674**	14,996
Finance income	**(1,703)**	(51)
Gain on acquisition	**(15,242)**	–
Impairment of goodwill	**–**	18,660
Depreciation and amortisation	**59,885**	34,222
Share-based payments	**3,315**	291
Change in estimate of decommissioning provisions	**(76,360)**	(14,302)
Operating cash flows before movements in working capital	**86,979**	63,181
Working capital adjustments		
Decrease in inventory	**3,559**	915
Decrease/(increase) in trade and other receivables	**9,095**	(13,149)
Increase in trade and other payables	**28,462**	35,048
(Decrease)/increase in restricted cash	**(6,395)**	1,988
Net cash generated from operating activities	**121,700**	87,983

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. CASH FLOW INFORMATION CONTINUED

16.2. RECONCILIATION OF NET DEBT

	Liabilities from financing activities Leases $'000	Other assets Cash and cash equivalents $'000	Net debt Total $'000
Net debt as at 1 January 2018	–	64,955	64,955
Cash flows	–	2,753	2,753
Acquisitions – finance leases and operating lease incentives	–	–	–
Foreign exchange adjustments	–	236	236
Other changes	–	–	–
Net debt as at 31 December 2018	–	67,944	67,944
Recognised on adoption of IFRS 16 (see note 8)	(693)	–	(693)
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**

17. CRITICAL ESTIMATES AND JUDGEMENTS

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

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

17.1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The areas involving significant estimates are:

> estimation of fair values of assets and liabilities acquired in business combinations – note 20
> estimation of provision for decommissioning liabilities – note 14
> estimation of defined benefit pension obligations – note 10
> 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 made in relation to lease accounting – note 8
> judgements on timing of when decommissioning costs will be incurred – note 14

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

18. 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 2019 and 2018, 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 2019 and 2018, the Group had closed and settled all hedges. 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.

	2019	2018
Financial performance		
Crude oil sales during the year ($'000s)	**173,779**	124,866
Gas sales during the year ($'000s)	**62,032**	26,633
Average crude oil price ($) per bbl	**67.05**	72.95
Average gas price ($) per boe	**27.27**	46.04
Sensitivities		
Impact of decrease of crude oil prices by 30% (2018: 10%) ($'000s)	**(52,134)**	(12,487)
Impact of decrease of gas prices by 30% (2018: 10%) ($'000s)	**(18,610)**	(2,663)

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:

	2019 $'000	2018 $'000
As at 31 December (GBP to US$)	**1.32**	1.28
Average for the year (GBP to US$)	**1.28**	1.34
As at 30 June (GBP to US$)	**1.27**	1.29
As at 31 December (EUR to US$)	**1.12**	1.15
Average for the year (EUR to US$)	**1.12**	1.18

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. FINANCIAL RISK MANAGEMENT CONTINUED

EXPOSURE

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

	2019		2018	
	£'000	$'000	£'000	$'000
Cash at bank	52,788	69,733	101	130
Working capital accruals	(30,314)	(40,044)	(7,718)	(9,855)
Trade payables	(22,206)	(29,334)	(10,172)	(12,988)
	268	355	(17,789)	(22,713)

	€'000	$'000	€'000	$'000
Cash at bank	29,090	32,662	54,757	62,714
Working capital accruals	(2,298)	(2,580)	(5,639)	(6,458)
Trade payables	(586)	(658)	(20,866)	(23,899)
	26,206	29,424	28,252	32,357

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:

	2019 $'000	2018 $'000
Impact of decrease of GBP vs USD by 10% ($'000s)	(35)	2,271
Impact of decrease of EUR vs USD by 10% ($'000s)	(2,942)	(3,236)

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 (currently: 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 2019 there were $0.24 million of trade receivables past due (2018: nil), nil of joint venture receivables past due (2018: nil) and nil (2018: $nil) of other receivables past due but not impaired. Subsequent to year end, $0.21 million of these outstanding balances have been collected (2018: nil). A forward-looking assessment was consistent with the above, noting a maximum exposure to credit risk at the reporting date of $0.24 million (2018: nil), 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 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 (FVPL)	9,724	–	–	–	9,724	9,724
Trade payables	61,895	2,535	3,683	2,043	70,156	69,834

As at 31 December 2018	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	36,886	–	–	–	36,886	36,886
Financial liabilities (FVPL)	724	–	–	–	724	724
Total non-derivatives	37,610	–	–	–	37,610	37,610

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 $206.5 million of surety bonds as at 31 December 2019 (2018: nil) to cover its obligations under its various Decommissioning Security Agreements (DSAs). Should RockRose Energy plc 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 plc 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 (Moody's) surety providers include Aspen, Liberty Mutual, Travelers and Westport.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. DIVIDENDS PAID

The Company paid a dividend of 60 pence per share during the year ended 31 December 2019 (2018: none). A final dividend of 25 pence will be paid, taking the total 2019 dividend to 85 pence per share (2018: nil).

20. BUSINESS COMBINATION

20.1. ACQUISITION IN 2019: THE MARATHON UK 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 UK 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 acquisition 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

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 long-term oil price assumptions used was $60/bbl.

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 cash flows in the statement of cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. BUSINESS COMBINATION CONTINUED

20.2. ACQUISITIONS IN 2018: ACQUISITION OF DYAS B.V. AND DYAS INFRASTRUCTURE B.V.

The Group completed the acquisition of 100% of the entire share capital of Dyas B.V. and Dyas Infrastructure B.V. (together Dyas B.V.) on 1 October 2018 for a cash consideration of 107 million Euros. For accounting purposes, the effective date of the transaction has been determined as 1 October 2018. The entities were subsequently renamed RockRose (NL) CS1 B.V. and RockRose (NL) Infrastructure B.V.

	Fair value $'000
Cash and cash equivalents	90,572
Trade and other receivables	33,027
Inventory	1,060
Property, plant and equipment assets	209,856
Intangible assets: Exploration costs	30,349
Deferred tax liability	(98,831)
Trade and other payables	(28,049)
Provisions	(130,329)
Net assets acquired	107,655
Total consideration paid	(124,115)
Goodwill	16,460
Total cash outflow on the acquisition was as follows:	
Cash paid	(102,344)
Net cash acquired with the subsidiaries	90,571
Net consolidated cash flow	(11,773)

Goodwill arose on the acquisition and was the difference between the fair value of the goodwill purchase consideration and the fair value of the net assets acquired. The Directors subsequently concluded that there was no basis for recognising goodwill related to the difference between the fair value of the consideration given and of the assets and liabilities acquired, and as such it was subsequently impaired.

The fair value of the trade receivables was $33.0 million. The gross contractual amount for trade receivables due was $33.0 million, the full value was collected.

Acquisition-related expenses of $1.0 million are included in acquisition and relisting expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

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

If the acquisition had occurred on 1 January 2018, consolidated pro forma revenue and profit before tax for the year ended 31 December 2018 would have been $231.0 million and $39.0 million respectively.

20.3. ACQUISITIONS 2018: ACQUISITION OF THE ARRAN LICENCE

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

21. INTERESTS IN OTHER ENTITIES

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

	Country of incorporation	Principal activity	Proportion of nominal value of issued shares controlled by the Group 2019
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 Energy Employee Benefit Trust	State of Jersey	Employee benefit trust	N/A
RockRose UKCS8 LLC (formerly Marathon Oil UK LLC)	US	Exploration, extraction and production of hydrocarbons	100%
RockRose UKCS 9 Limited[2] (formerly Marathon Service (G.B.) Limited)	UK	Provision of Group manpower and contracting/procurement services	100%
RockRose UKCS 10 Limited (formerly Marathon Oil West of Shetlands Limited)	UK	Exploration, extraction and production of hydrocarbons	100%
RockRose UKCS 11 Limited[2] (formerly Marathon International Oil (G.B.) Limited)	UK	Provision of contracting/procurement services	100%
RockRose UKCS 12 Limited[2] (formerly Marathon Oil North Sea (G.B.) Limited)	UK	Dormant	100%
RockRose UKCS13 LLC[2] (formerly Marathon Oil Decommissioning Services LLC)	US	Dormant	100%
RockRose (NL) CS1 B.V.[3]	NL	Exploration, extraction and production of hydrocarbons	100%
RockRose (NL) Infrastructure B.V.[4]	NL	Provision of infrastructure	100%

1. These subsidiaries are wholly owned subsidiaries of RockRose UKCS4 Limited
2. These subsidiaries are wholly owned subsidiaries of RockRose UKCS8 LLC
3. As at 31 December 2019, RockRose Energy (NL) BV merged with RockRose (NL) CS1 B.V. leaving RockRose (NL) CS1 B.V. as the surviving company.
4. This subsidiary is wholly owned subsidiary of RockRose (NL) CS1 B.V.

The registered address for the Company and all its UK subsidiaries is c/o OHS Secretaries Limited, 9th Floor, 107 Cheapside, London, EC2V 6DN.

The registered address for the overseas subsidiary, RockRose UKCS8 LLC, is Wilmington, County Of New Castle, Delaware, United States.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2019:
> Capital expenditure of $143.6 million (2018: $83 million) on producing and development assets;
> Decommissioning costs of $25.9 million (2018: $5 million).

22.2. OPERATING LEASE COMMITMENTS
From 1 January 2019 the Group has recognised right-of-use assets for the leases, except for short-term and low-value leases, see note 8.1 for more information.

	2019 $'000	2018 $'000
Office premises lease		
Payments under operating leases due within one-year period	–	207
Payments under operating leases due between two to five-year periods	–	400
Total office premises lease	–	607

Lease payments of $nil (2018: $0.2 million) were recognised in the statement of profit or loss during the year.

22.3. CONTINGENT LIABILITIES/ASSETS
No contingent liabilities and assets exist for the current year (2018: nil).

23. EVENTS OCCURRING AFTER THE REPORTING PERIOD
On 17 January 2020, the Group announced that, subject to receipt of approval by the Secretary of State, it will be passing operatorship of the Brae Area to TAQA Bratani. This follows court proceedings brought by TAQA and the other joint venture partners, JX Nippon and Spirit Energy in December 2019. There is no strategic or material financial consequence to the Group, as no partner under a Joint Operating Agreement (JOA) can benefit from being operator.

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).

The international outbreak of COVID-19 in early 2020 has affected business and economic activity around the world. The Group considers this to be a non-adjusting post balance sheet event as of 31 December 2019. Given the spread of COVID-19, the range of the potential outcomes for the global economy are difficult to predict at this point of time. Possible outcomes range from successful virus containment and minor short-term impact, to a prolonged global contagion resulting in potential recession. At the same time there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impact. The Group is monitoring the COVID-19 outbreak developments closely, the Group follows the guidance of the World Health Organisation and abides the requirements of the United Kingdom and Dutch governments. The Group has made an assessment of impact of COVID-19 on its ability to continue as a going concern, for the details please refer to the Directors' Report.

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.

	2019 $'000	2018 $'000
Short-term employee benefits	**3,073**	2,531
Post-employment benefits	**96**	85
Share-based payments	**959**	48
Total key management personnel compensation	**4,128**	2,664

In addition to above, Directors who held shares in the Company, received dividends of $3.2 million (£2.5 million) during 2019 (2018: nil).

Refer to Remuneration Committee report on page 35 for details of highest paid Director.

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:

	2019		2018	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	**£1.98**	**525,752**	£0.48	1,533,333
Granted during the year	**£9.82**	**126,686**	£1.98	525,752
Exercised during the year	**£1.88**	**(495,162)**	£0.48	(1,533,333)
As at 31 December	**£8.63**	**157,276**	£1.98	525,752

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

During the year a total of 126,686 options were awarded under the scheme and all were outstanding at 31 December 2019.
No performance conditions were attached to these awards which vest over a three-year period. On 25 June 2019 a total of 107,817 options were exercised by Richard Benmore, Non-executive Director.

The total charge for the year was $0.3 million (2018: $0.3 million) which was charged to the profit or loss account.

Following the approval by the Remuneration Committee on 25 June 2019, Andrew Austin was awarded 73,620 options under the Company's unapproved share option plan with exercise price of 815p. No performance conditions were attached to these awards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. SHARE-BASED PAYMENTS CONTINUED

Under the plan, the options outstanding to Directors are as follows:

	Date of grant	Granted	Basis of grant	Face value	Exercise price	Exercised	Waived/ lapsed	Earliest vesting date	Lapse date	Performance criteria
Andrew Austin	25/06/2019	73,620	Acquisition of Marathon UK	£600,000	815p	Nil	Nil	25/06/2020	25/06/2029	Time vesting

25.2. SHARE INCENTIVE PLAN (SIP)

In 2018, the Group adopted an Inland Revenue approved SIP for all employees of the Group. The scheme is a tax-efficient incentive plan pursuant to which all employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of RockRose ordinary shares per month or £1,800 per year. Under the SIP, employees are invited to make contributions to buy Company shares. If an employee agrees to buy Company shares, the Company currently matches the number of shares bought with an award of shares (matching shares), on a two-for-one basis.

26. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year. The weighted average number of shares excludes those shares held as treasury shares. There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of these financial statements other than those detailed in note 15.

	2019 $'000	2018 $'000
Earnings attributable to the shareholders	**84,091**	38,859
Less: Gain on acquisition (non-cash item)	**(15,242)**	–
Less: Impairment of goodwill (non-cash item)	**–**	18,660
Adjusted earnings/(loss) attributable to the shareholders	**68,849**	57,519
Weighted average basic number of shares (in thousands)	**12,855**	14,877
Weighted average diluted number of shares (in thousands)	**12,918**	16,050
Unadjusted basic earnings per share (cents)	**654**	261
Unadjusted diluted earnings per share (cents)	**651**	242
Adjusted basic earnings per share (cents)*	**536**	387
Adjusted diluted earnings per share (cents)*	**533**	358

* Adjusted basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding, after removing non-cash items in relation to the acquisition of Marathon UK (2018: non-cash items in relation to the acquisition of Dyas).

27. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

27.1. BASIS OF PREPARATION

27.1.1. COMPLIANCE WITH IFRS

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

27.1.2. GOING CONCERN

The consolidated financial statements of the RockRose Energy plc Group have been prepared on a going concern basis, refer to the Directors' Report on page 38.

27.1.3. 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.

27.1.3. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2019:
> IFRS 16 Leases
> Prepayment Features with Negative Compensation – Amendments to IFRS 9
> Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
> Annual Improvements to IFRS Standards 2015 – 2017 Cycle
> Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
> IFRIC 23 Uncertainty over Income Tax Treatments.

The Group changed its accounting policies as a result of adopting IFRS 16. The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. This is disclosed in note 27.24.4. The other amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

27.1.4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 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.

Standards	Effective date	Description
IFRS 17	1 January 2021	Insurance Contracts
Amendments to IAS 1 and IAS 8	1 January 2020	Definition of Materiality
Amendments to IFRS 3	1 January 2020	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	Interest rate benchmark reform

27.1.5. RESTATEMENT AND CHANGES IN PRESENTATION

The comparative consolidated financial statements were restated as follows:
> Gross up deferred tax balances
> Split trade and other receivables and Financial assets (FVPL)
> Split trade and other payables and Financial liabilities (FVPL)
> Reclassify of components of the statement of changes in equity between other reserves and retained earnings.

Summary of the adjustments made is as follows:

$'000	As reported before	Restatement	Restated
Deferred tax assets	–	67,500	67,500
Deferred tax liabilities	22,788	67,500	(90,288)
Trade and other receivables	28,147	(204)	27,943
Financial assets (FVPL)	–	204	204
Trade and other payables	57,015	(724)	56,291
Financial liabilities (FVPL)	–	724	724
Other reserves	11,772	20,946	32,718
Retained earnings	58,007	(20,946)	37,061

The restatements made did not have an impact on the net assets of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The Group renamed the following financial statement line items:
Provisions – Provisions for liabilities and other charges
Decommissioning spend – Utilisation of decommissioning liabilities
Administrative expenses – Administrative costs
Interest received – Finance income
Interest paid – Finance costs

The Group also made the following changes to the presentation of the consolidated cash flow statement:

$'000	As previously reported	Restatement	Restated
Operating activities			
Decommissioning spend	–	(2,402)	(2,402)
Interest received	–	51	51
Interest paid	–	(3,711)	(3,711)
Net cash outflow from operating activities	–	(6,062)	(6,062)
Investing activities			
Decommissioning spend	(2,402)	2,402	–
Net cash used in investing activities	(2,402)	2,402	–
Financing activities			
Finance income	51	(51)	–
Finance costs	(3,711)	3,711	–
Net cash used in financing activities	(3,660)	3,660	–

The Directors believe that the restatement does not have an impact on the opening balances of the comparative period and as such have not presented a third balance sheet in these financial statements.

27.2. PRINCIPLES OF CONSOLIDATION

27.2.1. 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 27.16).

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

27.2.2. 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.

27.3. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of RockRose Energy plc has appointed a strategic steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the Executive Chairman, the Chief Financial Officer, Managing Director and Finance Director.

Following the acquisition of Dyas B.V. in 2018, the strategic steering committee decided to change the Group's reportable segments from geographical locations to product type.

This change reflects the fact that post acquisition the Group has a significantly higher gas product mix with a very different cost base, and reflects the fact that the Group no longer assigns differing risk on a geographical basis. The effective date of this change was 1 January 2019.

27.4. 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 plc which continues to have a GBP functional currency. All Dutch entities have a functional currency of EUR. The presentation currency for the financial statements is USD.

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
> assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
> income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of each transaction); and
> all resulting exchange differences are recognised in other comprehensive income.

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

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

27.5. REVENUE RECOGNITION

The accounting policies for the Group's revenue from contracts with customers are explained in note 3.1.

27.6. 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

27.7. 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.

27.8. LEASES

As explained in note 27.24, the Group has changed its accounting policy for leases where the Group is the lessee.

Until 31 December 2018 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 (note 27.24). 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.

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. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

27.9. 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.

27.10. EMPLOYEE BENEFITS

27.10.1. SHORT-TERM OBLIGATIONS

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

27.10.2. 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.

27.10.3. SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the RockRose Energy plc 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 plc 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).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

27.11. INVENTORIES

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

27.12. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 12.1 for further information about the Group's accounting for trade receivables and note 27.17 for a description of the Group's impairment policies.

27.13. 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.

27.14. 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.

27.15. CRUDE OIL UNDER AND OVER LIFT

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 (FVPL) and valued at market price.
> an overlift is included in Financial liabilities (FVPL) and valued at market price.

27.16. 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.

27.17. 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.

27.17.1. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

27.18. FINANCIAL LIABILITIES

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL 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 FVPL.

27.18.1. TRADE AND OTHER PAYABLES

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

27.18.2. FINANCIAL LIABILITIES AT FVPL

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

27.19. 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 and 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 year-end spot rates. Any resulting forex exchange movements are recognised within the related property, plant and equipment decommissioning asset balance, unless the decommissioning assets have previously been impaired and forex exchange movements would therefore be recognised in the statement of profit or loss.

27.20. 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 plc 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 plc.

27.21. DIVIDENDS

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

27.22. EARNINGS PER SHARE

27.22.1. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

> the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
> by the weighted average number of ordinary shares outstanding during the financial year, and excluding treasury shares (note 15).

27.22.2. DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

> the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
> the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

27.23. ROUNDING OF AMOUNTS

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

27.24. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

27.24.1. PRACTICAL EXPEDIENTS APPLIED

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

> the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
> reliance on previous assessments on whether leases are onerous;
> the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
> the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

27.24.2. MEASUREMENT OF LEASE LIABILITIES

	31 December 2019 $'000
Operating lease commitments disclosed as at 31 December 2018	–
Discounted using the lessee's incremental borrowing rate at the date of initial application	–
Add: adjustments as a result of a different treatment of extension and termination options	–
Lease liability recognised as at 1 January 2019	693
Of which are:	
Current lease liabilities	231
Non-current lease liabilities	462

27.24.3. MEASUREMENT OF RIGHT-OF-USE

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 $'000	1 January 2019 $'000
Office buildings	3,219	693
Vehicles	22	–
Plant and machinery	5,424	–
Total right-of-use assets	**8,665**	693

27.24.4. ADJUSTMENTS RECOGNISED IN THE BALANCE SHEET ON 1 JANUARY 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Lease assets/right-of-use assets – increase by $0.7 million

Lease liabilities – increase by $0.7 million

The net impact on retained earnings on 1 January 2019 was nil.

COMPANY BALANCE SHEET

AT 31 DECEMBER 2019

	Note	31 December 2019 $'000	31 December 2018 $'000 *(Restated)**
ASSETS			
Non-current assets			
Investment in subsidiaries	2	149,078	51,323
Amount owed from subsidiaries	8.3	42,131	42,081
		191,209	93,404
Current assets			
Trade and other receivables	1	825	1,256
Amount owed from subsidiaries	1	31,292	5,716
Cash and cash equivalents	1	91,233	824
Restricted cash	1	52,113	–
		175,463	7,796
Total assets		366,672	101,200
LIABILITIES			
Non-current liabilities			
Provisions		6,812	7,278
Amount owed to subsidiaries	8.3	112,788	–
		119,600	7,278
Current liabilities			
Trade and other payables	1.3	3,252	574
Amount owed to subsidiaries	1	40,217	55,266
		43,469	55,840
Total liabilities		163,069	63,118
Net assets		203,603	38,082
EQUITY			
Share capital and share premium	3.1	5,304	3,678
Other reserves	3.2	36,033	32,718
Retained earnings	3.3	162,266	1,686
Total equity		203,603	38,082

* Comparative financial information was restated, for the details refer to note 10.1.6.

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

The Company profit for the year was $166.5 million (2018: $88.9 million).

These financial statements on pages 93 to 104 were approved by the Board of Directors on 6 April 2020 and were signed on its behalf by:

ANDREW AUSTIN
EXECUTIVE CHAIRMAN

RockRose Energy plc registered number 09665181

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital $'000	Share premium $'000	Other reserves $'000	Retained earnings $'000 *(Restated)**	Total $'000
Balance at 1 January 2018		4,269	9,902	(75)	(14,172)	(76)
Profit for the year		–	–	–	88,884	88,884
Total comprehensive income for the year		–	–	–	88,884	88,884
Transactions with owners						
Issue of share capital		40	129	–	–	169
Buy-back of share capital *(Restated)**		(760)	–	–	(21,281)	(22,041)
Employee share incentive plan		–	–	291	–	291
Issue of B shares *(Restated)**		–	(9,902)	–	(20,458)	(30,360)
Shareholders distribution		–	–	30,360	(30,360)	–
Transfer of reserves *(Restated)**		–	–	2,142	(927)	1,215
		(720)	(9,773)	32,793	(73,026)	(50,726)
Balance at 31 December 2018 ***(Restated)****		3,549	129	32,718	1,686	38,082
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**

* Comparative financial information was restated, for the details refer to note 10.1.6.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000 *(Restated)**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations		**(89,633)**	(92,798)
Interest received		**2,532**	963
Interest paid		**(3,061)**	(1,626)
Share-based payments		**3,315**	291
Net cash inflow/(outflow) from operating activities		**(86,847)**	(93,170)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income from subsidiaries		**163,212**	82,180
Payment for acquisition of subsidiary, net of cash acquired		**(95,437)**	–
Net cash used in investing activities		**67,775**	82,180
CASH FLOWS FROM FINANCING ACTIVITIES			–
Proceeds from issue of shares		**1,626**	169
Distribution to Company's shareholders		**–**	(30,360)
Payments for shares bought back		**–**	(22,041)
Dividends paid to Company's shareholders		**(10,372)**	–
Proceeds of loans from subsidiaries		**112,788**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**104,042**	(52,232)
Net increase in cash and cash equivalents		**84,970**	(63,222)
Cash and cash equivalents at 1 January		**824**	64,863
Effect of foreign exchange rate		**5,439**	(817)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**91,233**	824

* Presentation of the Statement of Cash Flows was changed from the prior year, for details refer to note 10.1.6.

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 2019 $'000	31 December 2018 $'000 (Restated)
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	**825**	1,256
Amounts owed from subsidiaries	**73,423**	47,797
Cash and cash equivalents	**91,233**	824
Restricted cash	**52,113**	–
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	**3,252**	574
Amounts owed to subsidiaries	**153,005**	55,266

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 2019		31 December 2018	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Loan to subsidiary (i)	–	**42,131**	–	42,081
Loan to subsidiary (ii)	–	**934**	–	–
Less: loss allowance for debt investments at amortised cost (note 6.3)	–	**(934)**	–	–
	–	**42,131**	–	42,081

See note 10.7 for the relevant accounting policies.

Loans to subsidiaries
(i) During 2018 the 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 2019 the Company issued a loan to its subsidiary, RockRose UKCS2 Limited. The loan is unsecured and repayable on 1 January 2029. Interest accrues at an annual rate of 2.25% per annum above the six (6) months United States Government Bond Yield. The loan was subsequently fully allowed due to the expected lifetime losses.

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 loan outstanding as at 31 December 2019 is denominated in Euro.

There is no exposure to price risk as the investments will be held to maturity.

1.2. RESTRICTED CASH

	31 December 2019 $'000	31 December 2018 $'000
Restricted cash	**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 2019 $'000	31 December 2018 $'000 (Restated)
Trade payables	**294**	123
Accruals	**2,958**	451
	3,252	574

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	2019 $'000	2018 $'000
As at 1 January	**51,323**	30,396
Additions in year – Acquisition of RockRose UKCS4 Limited	**–**	20,927
Additions in year – Acquisition of RockRose UKCS8 LLC	**75,281**	–
Additions in year – Acquisition of RockRose UKCS10 Limited	**20,156**	–
Exchange differences	**2,318**	–
As at 31 December	**149,078**	51,323

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 20.1 to the consolidated financial statements for details of additions during 2019.

3. EQUITY

3.1. SHARE CAPITAL AND SHARE PREMIUM

Please refer to note 15 of the consolidated financial statements on page 71 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 2018.

NOTES TO COMPANY FINANCIAL STATEMENTS CONTINUED

3. EQUITY CONTINUED

3.3. RETAINED EARNINGS

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

4. CASH FLOW INFORMATION

	31 December 2019 $'000	31 December 2018 $'000
Cash flows from operations		
Profit/(loss) before income tax	**166,463**	88,884
Non-cash adjustments to reconcile profit/(loss) before tax for the year to net cash flows:		
Foreign exchange gain on operating activities	**(4,249)**	2,049
Finance costs	**3,061**	1,626
Finance income	**(2,532)**	(963)
Dividend income	**(171,396)**	(82,180)
Gain on derecognition of liability	**–**	(20,947)
Movement in provision	**466**	105
Operating cash flows before movements in working capital	**(8,187)**	(11,426)
Working capital adjustments		
(Increase)/decrease in trade and other receivables	**(16,961)**	1,686
Decrease/(increase) in trade and other payables	**(12,372)**	(83,058)
Increase in restricted cash	**(52,113)**	–
Net cash generated from operating activities	**(89,633)**	(92,798)

5. EMPLOYEE INFORMATION

The Company had no employees during the year (2018: nil). The Directors of the Company were remunerated by another company of the Group.

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 12 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 (FVPL).

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. IMPAIRMENT OF LOAN TO SUBSIDIARY

During 2019 the intercompany loan provided to RockRose UKCS2 Limited, with a carrying value of $1.1 million including accrued interest of $0.2 million, was written off as a result of the lifetime expected credit loss being equal to carrying value of the outstanding loan amount.

The loan provided to RockRose (NL) B.V. (which subsequently merged with RockRose (NL) CS1 B.V.) in 2018 is considered to be of a low credit risk and therefore no loss allowance has been recognised.

Management consider 'low credit risk' to be when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Movements on the loss allowance for intercompany loans to subsidiary are as follows:

	Loan to subsidiaries $'000
Loss allowance as at 1 January 2019	**–**
Increase in the allowance recognised in profit or loss during the period	**1,055**
Loss allowance as at 31 December 2019	**1,055**

6.4. 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 As at 31 December 2019	Less than 6 months $'000	6-12 months $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount liabilities $'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**

Contractual maturities of financial liabilities As at 31 December 2018	Less than 6 months $'000	6-12 months $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
Trade payables	123	–	–	123	123
Accruals	451	–	–	451	451
Amount owed to Group subsidiaries	55,266	–	–	55,266	55,266
Total non-derivatives	55,840	–	–	55,840	55,840

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:

	2019 $'000	2018 $'000
Dividend revenue:		
Dividends received from subsidiary undertakings	**171,396**	82,180
Sales and purchases of services:		
Purchase of services from subsidiary undertakings	**2,200**	–

NOTES TO COMPANY FINANCIAL STATEMENTS CONTINUED

8. RELATED PARTY TRANSACTIONS CONTINUED

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:

	2019 $'000	2018 $'000
Current payables (purchases of services)		
Subsidiary undertakings	**2,200**	–

8.3. LOANS TO/FROM SUBSIDIARY UNDERTAKING

	2019 $'000	2018 $'000
Loan to RockRose UKCS2 Limited		
At 1 January	**–**	–
Loan provided	**3,919**	–
Loan repayments received	**(2,985)**	–
Interest charged	**121**	–
Interest received	**–**	–
Loss allowance recognised	**(1,055)**	–
At 31 December	**–**	–
Loan to RockRose NL B.V.		
At 1 January	**42,081**	–
Loan provided	**–**	98,154
Loan repayments received	**–**	(56,073)
Interest charged	**2,473**	963
Interest received	**(2,473)**	(963)
Exchange differences	**50**	–
At 31 December	**42,131**	42,081
Loan from RockRose UKCS10 Limited		
At 1 January	**–**	
Loan received	**(124,988)**	–
Loan repaid	**12,200**	–
Interest charged	**(2,430)**	–
Interest received	**2,430**	–
At 31 December	**(112,788)**	–

A loss allowance of $1.1 million (2018: nil) including $0.2 million accrued interest was recognised in relation to the intercompany loan to RockRose UKCS2 Limited during the year, see note 6.3 for further information.

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% (2018: 6%).

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. INFORMATION INCLUDED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 period end – see note 23

Share-based payments – see note 25

Auditors' remuneration – see note 5.5

10. 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 plc.

10.1. BASIS OF PREPARATION

10.1.1. COMPLIANCE WITH IFRS

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

10.1.2. COMPLIANCE WITH IFRS

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

10.1.3. NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

The Company has applied the following amendments for the first time for its annual reporting period commencing 1 January 2019:

> IFRS 16 Leases
> Prepayment Features with Negative Compensation – Amendments to IFRS 9
> Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
> Annual Improvements to IFRS Standards 2015 – 2017 Cycle
> Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
> IFRIC 23 Uncertainty over Income Tax Treatments.

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.

NOTES TO COMPANY FINANCIAL STATEMENTS CONTINUED

10. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

10.1.4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. None of these are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Standards	Effective date	Description
IFRS 17	1 January 2021	Insurance Contracts
Amendments to IAS 1 and IAS 8	1 January 2020	Definition of Materiality
Amendments to IFRS 3	1 January 2020	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	Interest rate benchmark reform

10.1.5. GOING CONCERN

The consolidated financial statements of the RockRose Energy plc Group have been prepared on a going concern basis, refer to the Directors' Report on page 38.

10.1.6. RESTATEMENT AND CHANGES IN PRESENTATION

The comparative Company financial statements were restated as following:
> Gross up of intercompany balances and split between current and non-current balances;
> Recognition of dividend income from subsidiaries in profit or loss;
> Write-off of loan from subsidiary and recognition of income in profit or loss.

The summary of the adjustments made is as follows:

$'000	As previously reported	Restatement	Restated
Balance Sheet			
Amount owed from subsidiaries – non-current	–	42,081	42,081
Amount owed from subsidiaries – current	–	5,716	5,716
Amount owed to subsidiaries – non-current	–	–	–
Amount owed to subsidiaries – current	–	(55,266)	(55,266)
Statement of changes in equity			
(Loss)/Profit for the year	(14,243)	103,127	88,884
Issue of B Shares	–	(30,360)	(30,360)
Buy-back of share capital	–	(22,041)	(22,041)
Transfer of reserves	51,941	(50,726)	1,215

The Directors believe that the restatement does not have an impact on the opening balances of the comparative period and as such have not presented a third balance sheet in these financial statements.

The Company also made the following changes to the presentation of the company cash flow statement:

$'000	As reported before	Restatement	Restated
Operating activities			
Profit/(Loss) before income tax	(14,243)	103,127	88,884
Dividend income	–	(82,180)	(82,180)
Gain on derecognition of liability	–	(20,947)	(20,947)
Interest received	–	963	963
Interest paid	–	(1,626)	(1,626)
Net cash outflow from operating activities	**(14,243)**	**(663)**	**(14,906)**
Investing activities			
Dividend income from subsidiary	–	82,180	82,180
Net cash generated from investing activities	**–**	**82,180**	**82,180**
Financing activities			
Interest received	963	(963)	–
Interest paid	(1,626)	1,626	–
Dividend income from subsidiary	82,180	(82,180)	–
Net cash generated from/(used in) financing activities	**81,517**	**(81,517)**	**–**

10.2. INVESTMENT IN SUBSIDIARIES

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

10.3. FUNCTIONAL AND PRESENTATION CURRENCY

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

10.4. 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 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.

NOTES TO COMPANY FINANCIAL STATEMENTS CONTINUED

10. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

10.5. 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.

10.6. 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.

10.7. 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.

10.8. 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.

10.9. 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.

10.10. 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	Andrew Austin Richard Benmore John Morrow
Company Secretary	OHS Secretaries Limited
Company number	09665181
Registered office	c/o OHS Secretaries Limited 9th Floor, 107 Cheapside London EC2V 6DN
Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Bankers	Citibank 33 Canada Square London E14 5LB

GLOSSARY

Abandonment half-life – the date at which half of the Group's abandonment expenditure has been incurred

Adjusted EBITDA – the Executive Committee uses Adjusted EBITDA as a measure to assess the performance of the Group's segments. This measure excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as reversal of provisions and impairments when the impairment is the result of an isolated non–recurring event. It also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group

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 overlift 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 plc

Earnings per share – calculated as total comprehensive income divided by weighted average number of shares for the period

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

FVPL – 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 plc 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 the 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 cost of sales less depreciation and change in inventory divided by production

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