ROCKROSE ENERGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Company Registration No. 09665181

ROCKROSE ENERGY LIMITED

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ROCKROSE ENERGY LIMITED
STRATEGIC REPORT

The Directors present their Strategic Report on RockRose Energy Limited ("the Company" or together with its subsidiaries, "the Group") for the year ended 31 December 2023.

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

During 2023 RockRose continued to make significant progress towards its long-term strategy.

Aligned with the Group's growth strategy, on 30 March 2023 Rockrose Energy Limited's subsidiary, RockRose (UKCS2) Limited, signed a Farm-Out Agreement ("FOA") with Hartshead Resources Ltd to buy a 60% non-operated stake in Southern Gas Basin blocks 48/15c, 49/6c, 49/11c, 49/12d and 49/17b. The transaction completed and control transferred on 5 April 2023.

Additionally, on 29 December 2023 RockRose Energy Limited's subsidiary, RockRose UKCS10 Limited, signed a Sale and Purchase Agreement ("SPA") with EnQuest Dons Leasing Limited (subsidiary of EnQuest PLC) to buy a 15% stake in the Bressay FPSO and 15% of the related Plant & Machinery from EnQuest Heather Limited. The transaction completed on 29 December 2023. RockRose UKCS10 Limited also signed a SPA to buy a 15% stake in the Bressay licences and the license was granted on 26 February 2024.

Also, on 28 February 2023 Rockrose Energy Limited signed a Sale and Purchase Agreement ("SPA") with Spark New Energies Limited to purchase the entire share capital of subsidiary Spark Exploration UK (P2412) Limited. The transaction completed on 29 June 2023.

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

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

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

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

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

OPERATIONAL REVIEW

OIL PRODUCING ASSETS

Blake and Ross (RRE 30.8%)

The Blake and Ross fields are operated by Repsol Sinopec UK and produce into the Bleo Holm FPSO via subsea infrastructure. Total production averaged 2,336 boepd net (2022: 1,725 boepd net) including associated gas in 2023. Oil is exported via shuttle tanker and gas is exported via the Frigg Pipeline. In 2023 joint venture partners evaluated various development options for the Blake Area Redevelopment and recommended that the Bleo Holm is maintained as the production facility. During the year Tain license was relinquished due to the expiry of the license.

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 478 boepd net (2022: 531 boepd net) including associated gas in 2023. Howe production averaged 302 boepd net (2022: 414 boepd net) including associated gas in 2023. Oil from the Nelson platform is transported by pipeline to the Forties field, and then to shore via the Forties Pipeline System. Gas is exported via the Fulmar Gas Line.

Other Oil Assets

In the Netherlands, production remained strong from both Hanze and Rijn due to good uptime for the period. In 2023, these assets produced an average of 556 boepd (net) to RockRose. In December the Rijn operator, TAQA, successfully reperforated the P15-16 gas well into the oil producing Delfland reservoir. Following completion of topside mods, production is expected in Q1 2024. TAQA continues to work up infill opportunities on the Rijn field.

GAS PRODUCING ASSETS

A&B Blocks (RRE 14.6%)

Production from the Petrogas operated AB Unit (A12, B13 and A18) averaged 1,876 boepd net (2022: 2,400 boepd net) in 2023. Production is from shallow reservoirs at depths of between 350 metres and 700 metres. Focus in 2023 was on the construction and installation of the A15 and B10 platforms including pipelines, and the drilling of the A15 wells. First gas from A15 is commenced in February 2024 with B10 to follow in Q3 2024.

K4B-K5A (RRE AVERAGE 7.0%)

Production in the Totalenergies operated K4b/K5a licence area averaged 692 boepd net (2022: 884 boepd net) in 2023. Gas is exported via the WGT pipeline to Den Helder. Gas is produced and processed through a Central Processing Platform (CPP) over the K/5-A structure, and through five unmanned wellhead platforms. In 2023, production continued to be enhanced through intervention work which included velocity string installation and foam restart strategies. The operator continued their focus on opex reduction and efficient and strong uptimes.

Arran (RRE 30.4%)

The Arran field is a gas condensate four-well field via a 55km subsea tieback to the Shearwater platform, operated by Shell. The field was developed at a gross cost of £342 million (£104 million net). First gas was achieved in September 2021 and production averaged 4,729 boepd net (2022: 6,318 boepd net) in 2023, (broken down into Oil – 703 boepd, NGL – 583 boepd, Gas – 3,443 boepd). Gas is exported via the Fulmar Gas Line (FGL) to the Shell Esso Gas & Associated Liquids (SEGAL) processing terminal. Liquids are exported via the Forties Pipeline System (FPS). A fifth well is planned for start-up in October 2024.

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

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

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

Production for the ECA fields averaged 2,938 boepd net (2022: 2,685 boepd net) during 2023.

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

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

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

Historically, the Indefatigable field has been developed with 4 platforms and 40 wells with the gas is transported via pipeline to the Leman 27B platform complex. Eastern Leman was developed with nine platforms and 92 wells with the gas transported via pipeline the Bacton Terminal. The Indefatigable 18A platform was made HCF during 2022 and is due for removal in 2024. Other decommissioning plans are to start on Leman 27J and 27H platforms starting in 2025/2026 with and Leman 27J expected to be made HCF in Q2 2024 including removal of the topsides, and Leman 27J to be performed in 2025.

Further to the overall area strategy, the Southern Hub Asset Rationalisation Project (SHARP) investment was made to extend the economic production life of the existing Leman and Indefatigable gas fields in the UK Southern North Sea. The main scopes of the project were to rationalise the inefficient legacy compression and accommodation complexes at Leman and Indefatigable with a new low- pressure compression platform modified from an existing drilling rig installed at the Leman 27B location, and existing Indefatigable 23A and Leman 27A assets becoming Normally Unmanned Installations (NUIs). Production operations could then continue in a more cost-efficient manner from both a reduction in both manpower/logistics, and fuel gas consumption. However, the onward flow of gas has since been reconfigured following to utilise PL23 instead of PL24 following the PL24 pipeline failure. As a result, the Leman A, C and E platforms currently do not benefit from compression.

SHARP was completed during 2023. The Indefatigable 23A and Leman 27A a have been converted to NUI operation, and work on 27BC platform is nearly complete with final commissioning of the B-compressor train yet to be completed Work on deconstructing and removal the heritage infrastructure is expected under a common Heavy Lift Vehicle (HLV) in 2025 and 2026 along with other infrastructure already placed in HCF lighthouse mode.

Gas production for the BCA fields (without Sean) averaged 1,853 boepd net (2022: 1,526 boepd net) in 2023.

The Sean gas field is operated by ONE-Dyas and situated 100km from the Norfolk coast and consists of two fixed bridge linked platforms (Sean Papa) and an outlying NUI (Sean Romeo). Dry gas is exported to Bacton Terminal via subsea pipeline and processed through the Shell facility at the terminal. Sean is an aging field and currently working toward a CoP of Q4 2024 yet production volumes remain steady. The remaining well on the Romeo NUI is expected to cease production in Q2 2024. Net production for the Sean field averaged 1,395 boepd net (2022: 1,838 boepd net) in 2023.

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

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

The GLA producing gas condensate fields are located in water depths between approximately 300 m and 625 m, some 125 km north-west of the Shetland Islands on the UKCS. GLA is the first gas development in the West of Shetland area with the fields developed as a subsea tieback to the Shetland Gas Plant ("SGP") through two production flowlines. The subsea facilities are controlled by hydraulic and electric umbilical with an eight-inch Mono-Ethylene-Glycol (MEG) line which is routed alongside the flowlines and delivers MEG from the SGP to the subsea facilities for continuous hydrate inhibition. Production from Laggan and Tormore commenced in February 2016, and Glenlivet and Edradour were brought on stream in August 2017.

Within the GLA, the exploration potential of the area continues to be evaluated with various work programmes. In 2023 the partnership drilled the Glendronach lookalike "Benriach" prospect. The Benriach well discovered non-commercial quantities of gas condensate. In addition to drilling the Benriach well, a new 3D/4D seismic programme was acquired in 2023 and is currently being evaluated to identify further exploration prospectivity and/or infill well targets. Also, during 2023, the P2594 Cardhu licence was relinquished.

Production for the GLA fields averaged 3,805 boepd net (2022: 5,676 boepd net) in 2023.

Joint Development Area (JDA) (RRE 9.95%)

Production in the NAM operated JDA in 2023 averaged 1,336 boepd net (2022: 1,319 boepd net). The JDA covers 7 unitised licences (K07, K08, K11, K14, K15 & L13) and 23 producing fields. Gas is produced from both HiCal and LoCal gas fields, with the HiCal gas delivered in to the WGT pipeline, while the LoCal gas is delivered via a dedicated JDA owned pipeline to Den Helder.

During 2023 focus was to maintain production levels through well enhancement work. The seismic data was obtained and now being processed and interpreted to support future infill projects. Work continued on the K14-FA carbon capture and storage project, with RockRose directly participating in the storage joint venture. Concept select work continued with the project moving to Front-End Engineering and Design (FEED) in November 2023.

OTHER GAS ASSETS

Rockrose's interests in the other Netherlands assets continued to perform well. These assets include P15/P18, P/Q Area, F15AB, Markham and J3C, onshore Bergen (including Alkmaar PGI facility), and K18G and K12B (including K12-B9). In 2023, these other assets produced an average of 293 boepd net (2022: 296 boepd net) to RockRose.

In the UK Southern Gas Basin, RockRose has interests in the Tors, Grove, Galahad, Mordred, and Seven Seas fields. Both Seven Seas and Grove continued to produce well. Seven Seas is currently planned for CoP in Q3 2024 and studies have begun for the potential to drill a further infill well on Grove with the Markham J6A platform having a life extension to 2028. In 2023, these assets produced an average of 111 boepd net (2022: 198 boepd net) to RockRose.

EVENTS AFTER REPORTING DATE

On 26 February 2024, The North Sea Transition Authority ("NSTA") approved the acquisition of 15% license interest on Bressay asset for a total consideration of £1.0 million.

On 29 February 2024, the Company increased its interest in Tuck asset, P2593 licence, from 50% to 100% for nominal consideration.

On 6 March 2024, the UK Government announced that the Energy Profits Levy ("EPL") would be extended for a further 12 months to 31 March 2029 from the former end date of 31 March 2028. Had the extension been substantively enacted before the balance sheet date, then the group's deferred tax liability would have been some £11.4m higher.

FINANCIAL REVIEW

Sales and Production Volume and Revenue

Production on a working interest basis decreased by 10% to 22,278 boepd in 2023, compared to 26,423 boepd in 2022 primarily due to the natural decline of production.

Revenue from crude oil sales in 2023 totalled £106.4 million, 27% lower than 2022 (£146.9 million) and revenue from the sale of gas in 2023 was £378.9 million (2022: £714.8 million) which was 47% lower than 2022. The decrease in oil and gas sales was mainly due to the lower realised gas prices in 2023.

Results of the year ended 31 December

		2023	2022*
Sales Volume	**boepd**		
Oil		4,202	4,689
Gas & NLG		18,817	20,921
		23,019	**25,610**
Production Volume	**boepd**		
Oil		4,463	5,801
Gas & NGL		18,265	20,622
		22,728	**26,423**
Revenue	**£'000**		
Oil		106,374	146,924
Gas & NGL		378,877	714,775
Infrastructure		9,312	9,044
Other		1,922	2,617
		496,485	**873,360**
Average realised price	**£/boe**		
Oil		69.4	84.7
Gas & NGL		55.6	93.6
Unit opex	**£/boe**		
Oil		45.3	38.5**
Gas & NGL		13.7	13.8
		21.7	**19.9**

	2023	2022*
	£'000	**£'000**
Loss for the year after income tax	(27,441)	(54,858)
Net cash generated from operating activities	204,524	418,916
Capital expenditure	194,399	77,609
Abandonment expenditure	10,196	19,737

**Based on the results of continued and discontinued operations during the year. Refer to note 20.2.1 for details of discontinued operations*

***Oil unit opex excludes discontinued operations*

Results of the year ended 31 December (continued)

Adjusted EBITDA	2023	2022*
	£'000	£'000
Operating profit	**73,545**	**379,129**
Depreciation and amortisation expense	214,251	243,698
Gain on disposal	-	(8,249)
Decommissioning recovery income	204	-
(Increase)/ decrease in estimate of decommissioning recovery asset	(40,304)	43,552
Increase/(decrease) in decommissioning cost estimates	31,389	(112,389)
Impairment of producing and development assets	51,745	-
Impairment reversal of producing and development assets	-	(4,672)
Impairment of exploration assets	35,684	12,923
Impairment of goodwill	29,285	-
Unrealised loss/(gain) on commodity hedges	(97,315)	99,285
Adjusted EBITDA	**298,484**	**653,277**

**Based on the results of continued and discontinued operations during the year. Refer to note 20.2.1 for details of discontinued operations*

Cash Flow	2023	2022
	£'000	£'000
Cash and cash equivalents as at 1 January	**279,988**	**36,148**
Net cash generated from operating activities	204,524	418,916
Net cash used in investing activities	(244,699)	(118,170)
Net cash generated from/(used) in financing activities	92,268	(60,589)
Net increase in cash and cash equivalents	**52,093**	**240,157**
Exchange (losses)/gains	(1,581)	3,683
Cash and cash equivalents as at 31 December	**330,500**	**279,988**
Restricted cash	**120,631**	**150,398**

Unit Opex

Unit opex costs were £45.3/bbl (2022: £38.5/bbl) for oil and £13.7/boe (2022: £13.8/boe) for gas in 2023.

Loss after income tax

Loss for the year of £35.7 million (2022: £54.9 million) is mainly driven by lower income tax expenses which was partially offset by impairment charges and a decrease in revenue as a result of a decline in gas prices during 2023.

Adjusted EBITDA

Adjusted EBITDA decreased to £298.5 million in 2023 (2022: £653.3 million) reflecting lower commodity prices and production volumes in 2023.

Cash Flow

The Group reported net cash generated from operating activities of £204.5 million in 2023 compared with net cash generated from operating activities of £418.9 million a year earlier. The decrease is mainly driven by lower commodity prices. At the end of 2023 the Group had £120.6 million (2022: £101.2 million) of decommissioning securities held in trust to cover the Group's obligations under its various Decommissioning Security Agreements (DSAs).

At the end of 2023, the Group had in issue £158.0 million of surety bonds (2022: £150.5 million). The Group's A rated (Moody's) surety providers include Travelers, Chubb and QBE.

Capital and Abandonment Expenditure

The Group continued to invest for organic growth within the portfolio of assets and total capital expenditure was £194.4 million in 2023 (2022: £77.6 million), with expenditure of £4.8 million on Ross and Blake field, £3.0 million on Arran field, £114.0 million on Bressay asset, £5.1 million on BCA field, £14.8 million on AB Blocks, £14.5 million on Anning & Somerville field, £1.7 million on JDA area, £18.1 million Benriach asset and £7.8 million on other development and maintenance capex.

Abandonment expenditure of £10.2 million was in line with 2022 expenditure of £19.7 million. The Group's pre-tax decommissioning provisions are £681.5 million (2022: £506.3 million). See note 14 for details of decommissioning provisions.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

Description	Impact	Mitigation
Reputation	The reputational and commercial exposures of a major offshore incident, including those related to an environmental incident, or non-compliance with applicable law and regulation are significant.	All activities are conducted in accordance with approved policies, standards and procedures. The Group requires adherence to its Code of Conduct and runs compliance programmes to provide assurance on conformity with relevant legal and ethical requirements.
Commodity prices	The Group's results are heavily dependent on crude oil and gas prices which are dependent on a number of factors including the impact of climate change concerns, regulatory developments and geopolitical factors such as the ongoing conflict in Ukraine and Middle East.	The Group will regularly review and implement suitable policies to hedge against the possible negative impact of changes in oil and gas prices to protect its investment strategy.
Decommissioning costs estimates and timing	The estimated future costs and timing of decommissioning is a significant estimate; any adverse movement in price, operational issues and changes in reserves and resource estimates could have a significant impact on the cost and timing of decommissioning. Inflation could also have a significant impact on cost. 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 asset management 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.

ESG strategy and transition plan

Rockrose management is committed to responsible stewardship and strive to achieve its goals around the key pillars of sustainability. The management together with its external consultants working towards building Sustainability report in accordance with relevant standards for the 2024 reporting period. Key activities will include implementation of ESG governance, progress on energy transition strategy, active engagement with partners to implement GHG emission reduction plans, further engagement with external stakeholders and implement reporting workflows with partners, including making any enabling updates to commercial agreements.

Moreover, the Group has committed to providing disclosures under the Taskforce for Climate-related Financial Disclosure (TCFD) framework in its strategic report for the year ending 31 December 2024.

OUR COMMITMENT TO SECTION 172

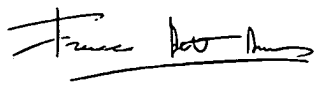
We understand the importance of considering stakeholders in long-term decision making and engage with various stakeholder groups in support of the ethos of section 172 of the Companies Act. RockRose Directors act in a way that they consider, in good faith, to be most likely to promote the success of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

Engaging with Our Stakeholders

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

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

This report was approved by the Board of Directors on 5 April 2024 and signed on its behalf by:



Francesco Dixit Dominus
Director

ROCKROSE ENERGY LIMITED
DIRECTORS' REPORT

The Directors present the audited consolidated financial statements of the Group for the year ended 31 December 2023.

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

Dividends
The Directors have not proposed any dividend in respect of the current financial year (2022: £nil).

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

Charitable Donations
The Group made charitable donations of £119,860 during the year (2022: £5,300).

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

Francesco Mazzagatti
Francesco Dixit Dominus

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

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

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

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

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

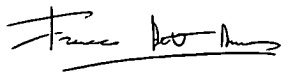
Financial Instruments
As part of the Group's activities various financial assets and financial liabilities are held at the balance sheet date, these are included within note 12. The risks associated with the financial assets and liabilities are included within note 17.

Going concern
The Group closely monitors and carefully manages its liquidity risk. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production rates from the Group's producing assets. See note 27.1.1 for further details.

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

Independent Auditor
Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor will be proposed at the next Annual General Meeting

This report was approved by the Board of Directors on 5 April 2024 and signed on its behalf by:



Francesco Dixit Dominus
Director

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

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

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

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

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

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

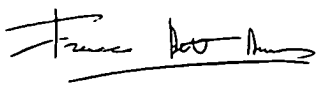
The Directors are responsible for the maintenance and integrity of the Group and Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

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

On behalf of the Board,



Francesco Dixit Dominus
Director
5 April 2024

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

Opinion

We have audited the financial statements of RockRose Energy Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2023 which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Financial Reporting Standards (IFRSs) and, as regards the group and parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023, and of the group's profit for the period then ended;
- the group and parent company financial statements have been properly prepared in accordance with UK-adopted IFRSs; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Emphasis of matter

We draw your attention to note 24 in the financial statements (pg. 52), which discloses a contingent liability in respect of an ongoing legal claim issued by TAQA Bratani Ltd, TAQA Bratani LNS Ltd and Spirit Energy Resources Ltd, partners in the Brae field, against RockRose Energy Limited and others in July 2022.

Management have appointed external legal counsel to handle their defence against the claim and consider the chance of a successful claim to be unlikely. As such, no provision has been made for the possible economic outflows. Our opinion is not modified in respect of this matter.

In addition to the above, we draw attention to note 12.1 to the consolidated financial statements (pg. 38) which describes the uncertainty in respect of the recoverability of the debt the Group has a debtor balance overdue in respect of amounts due under an indemnification clause in the Sale and Purchases Agreement for the disposal of one of its subsidiaries in a previous period.

The amount due has been subject to an Expected Credit Loss provision of £12.1m (2022: £12.1m), following which the net amount due is £15.7m (2022: £15.7m). The directors are in ongoing discussions regarding the collection of the amount due, although the ultimate outcome will be dependent upon negotiations between the parties or successful legal action. Our opinion is not modified in respect of this matter.

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and directors' report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- Enquiry of management, those charged with governance, the entity's in-house legal team and external counsel around actual and potential litigation and claims;

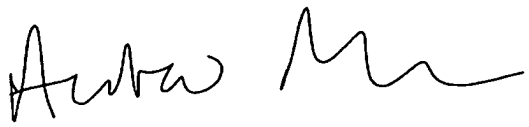
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

Use of our report

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



Andrew Moyser FCA FCCA
(Senior Statutory Auditor)
For and on behalf of
MHA, Statutory Auditor
London, United Kingdom

Date: 6th April 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023	2022
		£'000	£'000
Revenue	3	496,485	873,360
Purchases	4.2	(398,329)	(433,852)
Administrative expenses		(38,867)	(25,501)
Impairment of producing and development assets	6	(51,745)	-
Impairment reversal of producing and development assets	6	-	4,672
Impairment of goodwill	7	(29,285)	-
Impairment of exploration assets	7	(35,684)	(12,923)
Loss on change in fair value of investment property	8	(1,140)	-
Loss on revaluation of property, plant and equipment	6	(431)	-
Change in estimate of decommissioning provisions	14	(31,389)	112,389
Change in estimate of decommissioning recovery asset	9	40,304	(43,552)
Gain/(loss) on derivatives	4.1	123,626	(103,406)
Operating profit		**73,545**	**371,187**
Finance income	4.4	15,375	5,388
Finance costs	4.4	(34,751)	(24,498)
Foreign exchange (loss)/gain		(1,938)	6,054
Profit before income tax		**52,231**	**358,131**
Income tax expense	5.1	(79,671)	(415,495)
Loss from continuing operations		**(27,440)**	**(57,364)**
Profit from discontinued operation (attributable to equity holders of the company)	20.2.1	-	2,506
Loss for the year		**(27,440)**	**(54,858)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023	2022
		£'000	£'000
Loss for the year attributable to shareholders		**(27,440)**	**(54,858)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange (losses)/gains on translation of foreign operations		(5,178)	7,847
Items that will not be reclassified to profit or loss:			
Actuarial (losses)/gains on defined benefit pension scheme	10	(4,485)	4,930
Deferred tax credit/(expense) on defined benefit pension scheme	5.3	1,395	(2,422)
Other comprehensive (loss)/income for the year, net of tax		**(8,268)**	**10,355**
Total comprehensive loss for the year attributable to shareholders		**(35,708)**	**(44,503)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

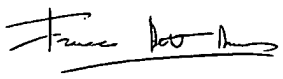
	Note	31 December 2023	31 December 2022
		£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	993,837	956,011
Intangible assets	7	47,829	62,063
Goodwill	7	22,420	48,960
Investment property	8	11,416	12,556
Decommissioning recovery asset	9	158,220	126,581
Employee benefit assets	10	2,435	6,920
Amounts owed by related parties	12.7.1	147,433	147,433
		1,383,590	**1,360,524**
Current assets			
Inventories	11	9,041	11,672
Trade and other receivables	12.1	165,106	169,420
Decommissioning recovery asset	9	12,284	3,823
Financial assets (FVTPL)	12.4	750	-
Cash and cash equivalents	12.2	330,500	279,988
Restricted cash	12.3	120,631	150,398
		638,312	**615,301**
Total assets		**2,021,902**	**1,975,825**
LIABILITIES			
Non-current liabilities			
Lease liabilities		9	90
Borrowings	12.7.2 (ii) & (iii)	38,831	20,563
Trade and other payables	12.5	8,324	15,238
Deferred tax liabilities	5.3	397,846	395,458
Provisions	14	646,484	485,133
		1,091,494	**916,482**
Current liabilities			
Lease liabilities		86	69
Borrowings	12.7.2 (ii) & (iii)	95,831	18,696
Trade and other payables	12.5	63,021	201,095
Current tax liabilities		102,185	141,420
Financial liabilities (FVTPL)	12.6	3,032	8,209
Provisions	14	35,065	22,958
		299,220	**392,447**
Total liabilities		**1,390,714**	**1,308,929**
Net assets		**631,188**	**666,896**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2023

	Note	31 December 2023	31 December 2022
		£'000	£'000
EQUITY			
Share capital and share premium	15	-	6,141
Other reserves		24,062	24,062
Retained earnings		607,126	636,693
Total equity		**631,188**	**666,896**

These financial statements on pages 19 to 60 were approved and authorised for issue by the Board of Directors on 5 April 2024 and were signed on its behalf by:



Francesco Dixit Dominus

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022	**2,670**	**3,471**	**24,062**	**1,422**	**679,774**	**711,399**
Loss for the year	-	-	-	-	(54,858)	**(54,858)**
Other comprehensive income	-	-	-	7,847	2,508	**10,355**
Total comprehensive loss for the year	-	-	-	9,269	(53,772)	**(44,503)**
Balance at 31 December 2022	**2,670**	**3,471**	**24,062**	**9,269**	**627,424**	**666,896**
Balance at 1 January 2023	**2,670**	**3,471**	**24,062**	**9,269**	**627,424**	**666,866**
Share capital reduction (note 15)	(2,670)	(3,471)	-	-	6,141	**-**
Loss for the year	-	-	-	-	(27,440)	**(27,440)**
Other comprehensive expense	-	-	-	(5,178)	(3,090)	(8,268)
Total comprehensive loss for the year	**-**	**-**	**-**	**(5,178)**	**(30,530)**	**(35,708)**
Balance at 31 December 2023	**-**	**-**	**24,062**	**4,091**	**603,035**	**631,188**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023	2022
		£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**16.1**	**333,496**	**562,448**
Interest received		10,621	5,388
Interest paid		(17,310)	(15,389)
Decommissioning spend	14	(10,196)	(19,737)
Decommissioning recovery income		204	4,717
Income taxes paid		(112,291)	(118,511)
Net cash inflow from operating activities		**204,524**	**418,916**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of subsidiaries, net of cash	20.1	(4,046)	-
Payment for disposal of assets, net of cash acquired	20.2.3	(50,000)	(40,561)
Payment for intangible assets	7	(25,884)	(5,312)
Payment for property, plant and equipment	6	(164,769)	(55,226)
Payment for investment property	8	-	(17,071)
Net cash used in investing activities		**(244,699)**	**(118,170)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash generated from financing	16.2		
Loan repayment to related parties	12.7.2	-	(30,859)
Loan received from third parties	12.7.2	114,000	-
Loan repayment to third parties	12.7.2	(21,664)	(29,662)
Principal elements of lease payments		(68)	(68)
Net cash used in financing activities		**92,268**	**(60,589)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**52,093**	**240,157**
Cash and cash equivalents at 1 January		279,988	36,148
Effect of foreign exchange rate		(1,581)	3,683
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**330,500**	**279,988**
Cash flows of discontinued operation	**20.2.2**	**-**	**(5,282)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

Rockrose Energy Limited is private company limited by shares. The Company was incorporated on 1 July 2015 in England and Wales, registration no. 09665181, and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is 5th Floor, Viaro House, 20-23 Holborn, London, United Kingdom, EC1N 2JD.

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

2. Significant changes in the current reporting period

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

- Hartshead Farm-Out: On 30 March 2023 Rockrose Energy Limited subsidiary, RockRose (UKCS2) Limited, signed a Farm-Out Agreement ("FOA") with Hartshead Resources Ltd to buy a 60% non-operated stake in Southern Gas Basin blocks 48/15c, 49/6c, 49/11c, 49/12d and 49/17b. The transaction completed and control transferred on 5 April 2023 (see note 21.1.1).
- Acquisition of Bressay assets: On 29 December 2023 RockRose Energy Limited subsidiary, RockRose UKCS10 Limited, signed a Sale and Purchase Agreement ("SPA") with EnQuest Dons Leasing Limited (subsidiary of EnQuest PLC) to buy a 15% stake in the Bressay FPSO and 15% of the related Plant & Machinery from EnQuest Heather Limited. The transaction completed on 29 December 2023. RockRose UKCS10 Limited also signed a SPA to buy a 15% stake in the Bressay licences pending regulatory approval. This was granted on 26 February 2024. (see note 21.1.2)
- Acquisition of Spark Exploration: On 28 February 2023 Rockrose Energy Limited signed a Sale and Purchase Agreement ("SPA") with Spark New Energies Limited to purchase the entire share capital of subsidiary Spark Exploration UK (P2412) Limited. The transaction completed on 29 June 2023 (see note 20.1)
- Impairment charges on goodwill, exploration and producing and development assets (see notes 6 and 7)

For a detailed discussion about the Group and its performance and financial position please refer to our operating and financial review on pages 3 to 9.

3. Revenue

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

	2023	2022
	£'000	£'000
Oil	106,374	146,924
Gas & NGL	378,877	714,775
Infrastructure	9,312	9,044
Others	1,922	2,617
	496,485	**873,360**

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

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

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

3. Revenue (continued)

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

Revenue resulting from arrangements that are not considered contracts with customers is presented as revenue from other sources. All other revenue is recognised on a contractual basis when title passes to the customers. The Group had 3 (2022: 2) customers to which it associated 10% or more of revenue.

4. Other income and expense

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

4.1. Gain/(loss) on derivatives

	2023 £'000	2022 £'000
Realised loss on oil hedges	(3,773)	(12,010)
Unrealised gain/(loss) on oil hedges	1,497	(1,693)
Realised gain on gas hedges	32,164	8,780
Unrealised gain/(loss) on gas hedges	95,818	(97,592)
ETS carbon hedging loss	(2,969)	-
Realised gain/(loss) on foreign exchange hedges	889	(891)
	123,626	**(103,406)**

As of 31 December 2023, the Group has various commodity hedges in place, to provide certainty of cashflows and to cover the Group's operational and capital expenditure. Gains/(losses) arising on commodity hedges during 2023 are recognised within Gain/(loss) on derivatives in the financial statements.

The Group also enters into hedging agreement which are physically settled on a monthly basis through the delivery of its produced gas. These hedges qualify for the own use exemption according to IFRS 9.2.7. See note 27.18.1 for accounting policies.

4.2. Breakdown of purchases by nature

	2023 £'000	2022 £'000
Production costs	159,048	163,378
Tariff and transportation expenses	26,689	24,411
Change in value of underlift and overlift	(2,158)	2,510
Depreciation, depletion and amortisation	214,750	243,553
	398,329	**433,852**

4.3. Staff costs

	2023	2022
	£'000	£'000
Wages and salaries (gross)	20,773	13,048
Social security costs	2,861	2,062
Defined contribution pension costs	511	313
Other staff cost	302	245
Recharges	(2,666)	(1,312)
Staff costs from continuing operations	**21,781**	**14,356**

The average monthly number of employees employed for continuing operations, including Directors, in the year was 30 (2022: 28). Recharge of staff costs are based on time spent and invoiced on projects for the wider Viaro group.

	2023	2022
Operations	7	6
Administrative	21	20
Directors	2	2
	30	**28**

4.4. Finance income and costs

	2023	2022
	£'000	£'000
Interest income	15,375	5,388
Finance costs	(17,310)	(15,390)
Unwinding of the discount on provisions (note 14)	(17,441)	(9,108)
	(19,376)	**(19,110)**

4.5. Auditor remuneration

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

	2023	2022
	£'000	£'000
Fees payable to the Company's auditor for the audit of the parent company and Group financial statements	170	162
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	332	360
	502	**522**

5. Income tax expense

This note provides an analysis of the Group's income tax expense 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.

The group remains liable to both ring fence corporation tax and supplementary charge at a combined rate of 40% in respect of its UK production activities, along with Energy Profits Levy which is currently charged at a rate of 35%. In the Netherlands, the standard corporate income tax rate is 25.8% while sale of hydrocarbons from Dutch fields continue to be liable to state profit share and corporate income tax, applied at a combined marginal rate of 50%. Additionally, a portion of the group's profits arising during the 2022 calendar year from Dutch oil and gas production was liable to a Solidarity Contribution at a rate of 33%. With effect for the 2023 and 2024 calendar years, government royalties are payable in the Netherlands at a rate of 65%, calculated on turnover generated from gas sold at a price higher than 50 cents per cubic metre.

5.1. Income tax expense

	2023 £'000	2022 £'000
Current tax:		
Current tax expense on profits for the year	(26,998)	(91,476)
Current tax charge in respect of Energy Profits Levy (EPL)	(26,726)	(61,958)
Adjustment for current tax on prior periods	634	(339)
Current overseas tax:		
Current tax expense on profits for the year	(21,448)	(55,602)
Current tax charge in respect of EU solidarity contribution	-	(24,560)
Adjustment for current tax on prior periods	-	4,082
Total current tax expense	**(74,538)**	**(229,853)**
Deferred tax:		
Relating to the origination and reversal of temporary differences	9,070	(11,992)
Impact of introduction of EPL	-	(166,502)
Deferred tax charge in respect of EPL	(27,004)	-
Recognition of previously unrecognised deferred tax asset	2,724	-
Adjustment in respect of prior periods	(853)	3,350
Deferred overseas tax:		
Relating to the origination and reversal of temporary differences	6,024	(18,343)
Adjustment in respect of prior periods	4,906	3,319
Total deferred tax expense	**(5,133)**	**(190,168)**
Income tax expense	**(79,671)**	**(420,021)**
Income tax expense is attributable to:		
Loss from continuing operations	(79,671)	(415,495)
Loss from discontinued operation	-	(4,526)

5.2. Reconciliation of total income tax expense

A reconciliation between the income tax expense and the product of accounting profit multiplied by the combined UK ring fence corporation tax and supplementary charge rate of 40.0% (2022: 40.0%) for the year ended 31 December 2023 is as follows:

	2023 £'000	2022 £'000
Profit from continuing operations before income tax expense	52,231	358,131
Profit from discontinued operation before income tax expense	-	7,032
	52,231	**365,163**
A combined UK ring fence corporation tax and supplementary charge rate of 40.0% (2022: 40.0%)	(20,892)	(146,065)
Expenses not deductible for tax purposes	(633)	(8,108)
Gain on disposal/acquisition non-taxable	-	4,526
Adjustments related to transfer pricing	2,957	-
Small field and investment allowances	3,258	2,755
Prior period adjustments	4,687	10,413
Change in unrecognised deferred tax	(23,440)	2,948
Difference in overseas tax rates	(2,115)	(20,455)
Lower non-ring fence UK rate	8,647	(7,973)
Additional temporary taxes	(53,730)	(254,304)
Group relief	1,660	-
Other differences	(70)	(3,758)
Total tax expense	**(79,671)**	**(420,021)**

5.3. Deferred tax assets and liabilities

	31 December 2023 £'000	31 December 2022 £'000
Deferred tax liability		
Accelerated capital allowances – Corporation Tax	(582,035)	(568,451)
Decommissioning provisions	161,173	110,174
Tax losses	23,868	28,586
Defined benefit pension	(852)	(2,422)
Other temporary differences	-	36,655
Net deferred tax liability	**(397,846)**	**(395,458)**

Deferred tax assets and liabilities include net liabilities of £153.2 million which are expected to reverse within 12 months (2023: £168.9 million). The deferred tax charge was recognised within the profit or loss account, with the exception of the deferred tax charge on Employee benefits which was recognised within other comprehensive income. Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is prudent to forecast that these assets will be recovered. Such tax losses include £104.9 million (2022: £140.0 million) of allowances relievable against the supplementary charge and £22.2 million (2022: £33.0 million) of overseas tax losses.

The Group has further UK ring fence corporation tax losses of approximately £43.2 million (2022: £42.9 million) as well as foreign tax losses of approximately £nil (2022: £nil), in respect of which no deferred tax asset is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits.

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

6. Property, plant and equipment

	Oil and gas assets £'000	Development assets £'000	Right-of-use assets £'000	Building £'000	Administrative assets £'000	Total £'000
Cost						
At 1 January 2022	**1,328,056**	**-**	**2,294**	**-**	**922**	**1,331,273**
Additions	55,218	-	-	-	8	**55,226**
Transfer from investment property (note 8)	-	-	-	4,515	-	**4,515**
Change in decommissioning estimates (note 14)	(1,346)	-	-	-	-	**(1,346)**
Transfer from Intangible assets	-	11,900	-	-	-	**11,900**
Disposals	-	-	(1,947)	-	-	**(1,947)**
Exchange differences	5,961	-	-	-	-	**5,961**
At 31 December 2022	**1,387,889**	**11,900**	**347**	**4,515**	**931**	**1,405,582**
Additions	49,185	114,000	1,184	-	400	**164,769**
Change in decommissioning estimates (note 14)	137,826	-	-	-	-	**137,826**
Transfer from Intangible assets	-	4,433	-	-	-	**4,433**
Exchange differences	(2,457)	-	-	-	182	**(2,275)**
At 31 December 2023	**1,572,443**	**130,333**	**1,531**	**4,515**	**1,513**	**1,710,335**
Accumulated depreciation and impairment						
At 1 January 2022	**(210,011)**		**(169)**	**-**	**(799)**	**(210,978)**
Reversal of impairment	4,672	-	-	-	-	**4,672**
Disposal	-	-	433	-	-	**433**
Depreciation charge	(243,092)	-	(511)	-	(95)	**(243,698)**
At 31 December 2022	**(448,431)**	**-**	**(247)**	**-**	**(894)**	**(449,571)**
Impairment charge	(51,745)	-	-	-	-	**(51,745)**
Fair value adjustment	-	-	-	(431)	-	**(431)**
Depreciation charge	(214,177)	-	(511)	-	(62)	**(214,750)**
At 31 December 2023	**(714,354)**	**-**	**(758)**	**(431)**	**(955)**	**(716,498)**
Net book value						
At 31 December 2023	**858,089**	**130,333**	**773**	**4,084**	**558**	**993,837**
At 31 December 2022	**939,458**	**11,900**	**100**	**4,515**	**36**	**956,011**

6.1. Accounting for oil and gas assets

6.1.1. Oil and gas assets

The Oil and Gas ("O&G") assets consist of producing assets and decommissioning assets in accordance with IAS 16 "Property, Plant and Equipment". The table above includes decommissioning assets with a carrying value of £152.2 million (2022: £49.7 million) relating to capitalised decommissioning provisions on producing assets.

6.1.2. Appraisal and development assets

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

6.1.3. Depreciation and amortisation on producing oil and gas assets

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

6.1.4. Administrative assets

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

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

6.1.5. Building

In 2022 the Group acquired a building for investment purposes to generate rental income. The building is partially occupied by the Group and therefore part of the building is recognised as Property, plant and equipment ("PPE"). Using management judgement, the building was divided into PPE and investment property on a pro rata basis based on the number of square meters that the Group occupied. PPE is carried at revalued amount. Decreases in the carrying value following revaluation is presented in the profit or loss and increases in other comprehensive income. See note 8 for details of the investment property portion of the building.

6.2. Impairments of producing and development assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; an asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amounts of an asset or its cash-generating unit ("CGU") exceed its recoverable amount. For the purpose of impairment or impairment reversal oil and gas assets are grouped into CGUs in accordance with IAS36. The determination of the CGU requires significant management judgement and where it is not possible to have a CGU based on one asset several oil and gas assets are grouped into a single CGU where the cash inflows of each asset are interdependent.

The recoverable amount of a CGU is the higher of its fair value less cost of disposal ("FVLCD") and value in use ("VIU"). When the recoverable amount is measured by reference to FVLCD, in the absence of quoted market prices or binding sale agreements, it is determined as the amount of estimated risk-adjusted and discounted future cash flows. Estimates of future cash flows are made using management forecasts on matters such as estimated proven and probable oil and gas reserve quantities and commodity prices. Impairment losses are recognised in the statement of profit or loss.

Following the significant decrease in gas prices in 2023, management performed an impairment review of the Group's assets. As a result, a £50.8 million impairment has been recognised in relation to the Group's CGUs in 2023.

Assumptions

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

The Group estimated the fair value using a discounted cash flow model applying a post-tax (nominal) discount rate of 10% (2022: 10%) to post-tax cash flows which results in a materially consistent impairment assessment as with pre-tax. Decommissioning provisions are separately discounted using a risk-free discount rate of 3.9% (2022: 3.7%).

6.2 Impairment of producing and development assets (continued)

2023 price assumptions	2024	2025	2026	2027	2028
Oil price ($/bbl)	78	76	76	76	76
Gas price UK (p/therm)	97	101	96	94	94
Gas price NL (EUR/MWh)	37	39	37	36	36
2022 price assumptions	**2023**	**2024**	**2025**	**2026**	**2027**
Oil price ($/bbl)	80	76	76	75	75
Gas price UK (p/therm)	232	162	117	75	75
Gas price NL (EUR/MWh)	104	72	52	48	48

Sensitivity analysis

Due to the continued volatility in oil and gas prices, management performed a sensitivity analysis of impairment calculations with downside pricing assumptions applied. Long term oil prices were reduced to $55/bbl from 2024 onwards; a reduction for UK gas prices to 58 pence per therm and a reduction for Dutch assets to 19 euros per MWh from 2024 onwards was applied. Under these downside assumptions, a total impairment charge of £119.2 million was calculated across all CGUs. Of this, a material charge of £20.7 million relates to Bacton Catchment Area, £20.2m to Greater Laggan Area, £21.3m to Blake & Ross CGU and £10.3m to Nelson & Howe CGU. In the Netherlands £25.9m relates to JDA, £12.3m to K4-K5 and £5.4m to AB Block.

No further potentially material impairments were identified as a result of sensitivity analysis.

7. Intangible assets

	Appraisal and Development assets	Goodwill	Total
	£'000	£'000	£'000
At 1 January 2022	81,260	49,504	130,764
Additions	5,312	-	5,312
Impairment charge	(12,923)	-	(12,923)
Transfer to Development assets	(11,900)	-	(11,900)
Exchange differences	314	(544)	(230)
At 31 December 2022	**62,063**	**48,960**	**111,023**
Acquired through business combinations (note 20.1)	-	3,746	3,746
Additions	25,884	-	25,884
Impairment charge	(35,684)	(29,285)	(64,969)
Transfer to Development assets	(4,433)	-	(4,433)
Exchange differences	(1)	(1,001)	(1,002)
At 31 December 2023	**47,829**	**22,440**	**70,249**

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

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

	31 December 2023	31 December 2022
CGUs	£'000	£'000
JDA	18,407	48,673
K18	287	287
Tuck License	3,746	-
Total goodwill	**22,440**	**48,960**

7. Intangible assets (continued)

In 2023 total impairment charge of £35.7 million was recognised in relation to P2411 Benriach and Tain licenses in the UK and E15C license in Netherlands. P2411 Benriach total impairment charge of £29.6 million was recognised in relation to the uneconomic well following the review by joint venture partners and for the E15c licence drilling of the unsuccessful well led to £2.5 million impairment charge during the year. Also in the UK the Tain license was relinquished which led to a £3.3m impairment. No further indicators of impairment have been identified as at 31 December 2023.

Goodwill was recognised as a result of the acquisition of Spark Exploration UK (P2412) Limited during the year and fully attributed to the Tuck CGU. See note 20.1 for details. Following the annual impairment testing as at 31 December 2023, £30.3m impairment charge is recognised in 2023 relating to the JDA licenses in the Netherlands (2022: £nil). No further indicators of impairment were identified during the year.

For 2023 reporting period, the recoverable amount of the cash-generating units was determined based on FVLCD calculations which require the use of various assumptions such as discount rate and commodity price. Detailed assumptions are consistent with those applied in impairment review of Producing and Development assets and the sensitivity analysis described in note 6.2 incorporated goodwill and would have resulted in a further £18.7 million impairment charge of goodwill.

7.1. Accounting for appraisal and development assets

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

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

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

7.2. Accounting for goodwill

Goodwill arising on acquisition is initially measured at cost being the excess of purchase price over the fair market value of identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill is included in intangible assets and is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates and where the recoverable amount of the CGU is less than the carrying amount of the CGU containing goodwill, an impairment loss is recognised. When impairment is recognised on a CGU with goodwill allocated to it, goodwill is impaired prior to oil and has assets. Impairment losses of goodwill are not reversed in subsequent periods. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

8. Investment property

The following table presents the changes in level 3 items for the periods ended 31 December 2023 and 31 December 2022 for recurring fair value measurements:

Fair value measurements using significant unobservable inputs (level 3)

	2023 £'000	2022 £'000
At 1 January	**12,556**	**-**
Additions	-	17,071
Fair value adjustment	(1,140)	-
Transfer to owner-occupied property	-	(4,515)
At 31 December	**11,416**	**12,556**

In 2023, fair value adjustment of £1.1 million loss was recognised in relation to investment property. £4.1 million of investment properties is classified as Building within Property, plant and equipment due to the own use. See note 6.

There were no transfers between levels 2 and 3 for the year ended 31 December 2023.

Amounts recognised in profit or loss for investment properties

	2023 £'000	2022 £'000
Rental income from operating leases	926	449
Direct operating expenses from property that generated rental income	(361)	(144)
Direct operating expenses from property that did not generate rental income	(293)	(165)
	272	**140**

Measuring investment property at fair value

Investment property is held for long-term rental yields and partially occupied by the Group. They are carried at fair value. Changes in fair values are presented in profit or loss as 'Fair value adjustment to investment property'.
The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Valuation inputs and relationships to fair value

Description	Fair value at		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	31 December 2023 (£'000)	31 December 2022 (£'000)		2023	2022	
Leased office building	10,985	12,556	Terminal yield	4.35% - 6.46%	-	The higher the terminal yield, the lower the fair value
			Capitalisation rate	4.82% - 4.82%	-	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
			Expected vacancy rate	5.50% - 5.50%	-	

8. Investment property (continued)

Valuation process

The group engages external, independent and qualified valuers to determine the fair value of the group's investment property at the end of every financial year. As at 31 December 2023, the fair value of the investment property has been determined by Rapleys Aston Rose Ltd. A directors' valuation has been performed for the building classified as property, plant and equipment as at 31 December 2023. The last independent valuation of the building was performed as at 31 December 2023.

The main level 3 inputs used by the group are derived and evaluated as follows: terminal yields, capitalisation and expected vacancy rates are estimated by Rapleys Aston Rose Ltd.

Leasing arrangements

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

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

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

	2023 £'000	2022 £'000
Within 1 year	538	372
Between 1 and 2 years	406	279
Between 2 and 3 years	307	149
Between 3 and 4 years	208	53
Between 4 and 5 years	103	-
	1,562	**853**

9. Decommissioning recovery asset

	£'000
At 1 January 2022	**178,673**
Utilisation	(4,718)
Change in estimates	(43,552)
At 31 December 2022	**130,404**
At 1 January 2023	
Receipts	(204)
Change in estimates	40,304
At 31 December 2023	**170,504**

The above asset relates to the amounts receivable for Decommissioning spend against the assets acquired as a part of acquisition of SSE E&P UK Limited in 2021. Per the agreement, the seller will reimburse the Group for 60% eligible decommissioning expenditure on a monthly basis as they occur. Included within the balance at 31 December 2023 is £12.3 million due within one year (2022: £3.8 million) and £162.7 million due in more than one year (2022: £126.6 million). Recoverability of this amount has been assessed and the potential provision is considered to be trivial.

9.1. Accounting for decommissioning recovery asset

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

The decommissioning recovery assets are all in relation to the acquisition of RockRose UKCS15 Limited (formerly SSE E&P UK Limited) on 14 October 2021 and subsequent transfer of assets to RockRose UKCS 10 Limited. The seller has indemnified 60% of all eligible decommissioning costs, being decommissioning costs relating to field property in place at the economic date of the transaction of 31 March 2020, excluding any costs in respect of the Glendronach field and field property put in place from 1 April 2020 (unless directly replacing eligible field property). Changes in estimates of the decommissioning recovery asset include the impact of discount unwinding on the indemnified provisions. The decommissioning recovery asset is only derecognised when collected, sold or when rights to it are lost.

10. Employee benefit assets

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

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

	2023 £'000	2022 £'000
Change in defined benefit obligation		
At 1 January	**(276,798)**	**(434,803)**
Interest income	(13,476)	(7,685)
Cash flows:		
Benefit payments from plan assets	14,564	15,771
Remeasurements:		
Effect of changes in demographic assumptions	3,974	1,777
Effect of changes in financial assumptions	(5,485)	153,819
Effect of experience adjustments	(1,472)	(5,677)
At 31 December	**(278,693)**	**(276,798)**
Change in fair value of plan assets		
At 1 January	283,718	436,793
Interest income	13,808	7,714
Cash flows:		
Employer contributions	-	-
Benefit payments from plan assets	(14,564)	(15,771)
Administrative expenses paid from plan assets	(561)	(752)
Remeasurements		
Return on plan assets (excluding interest income)	(1,273)	(144,266)
At 31 December	**281,128**	**283,718**
Net employee benefit asset	**2,435**	**6,920**

On 1 April 2010, UKCS9 established a defined contribution scheme to provide benefits to new employees. On 1 January 2016 all employees were transferred to the defined contribution scheme.
Total contributions to the defined benefit scheme were £nil (2022: £nil). Total expected contributions to the scheme in 2024 are £nil.

A comprehensive actuarial valuation of the UKCS9 pension scheme, using the projected unit credit method was carried out at 31 December 2023 by Mercer Limited, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions.

10. Employee benefit assets (continued)

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

	31 December 2023	31 December 2022
Discount rate	4.80%	5.00%
Future salary increases	0.00%	0.00%
Future pension increases	2.00%	2.05%
Inflation assumption	2.65%	2.65%
Mortality rates		
- for a male aged 65 now	22.5	23.0
- at 65 for a male aged 45 now	23.5	24.0
- for a female aged 65 now	24.6	24.9
- at 65 for a female aged 45 now	26.0	26.4

Pension – Maturity profile

At 31 December 2023, the weighted average duration of the defined benefit obligation was 13 years (2022: 13 years)

Pension – Sensitivity analysis

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

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

	31 December 2023 £'000	31 December 2022 £'000
Cash and cash equivalents	2,529	7,939
Assets held by insurance company	278,599	275,779
Total scheme assets	**281,128**	**283,718**

11. Inventories

	31 December 2023 £'000	31 December 2022 £'000
Oil and gas inventories	9,041	11,672

The carrying value of the Group's inventories as stated above is based on the Group's accounting policy for inventories in note 27.12. No inventory values were written down in 2023 (2022: £nil).

12. Financial assets and financial liabilities

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

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

12. Financial assets and financial liabilities (continued)

The Group holds the following financial instruments:	Note	31 December 2023 £'000	31 December 2022 £'000
Financial assets			
Financial assets at amortised cost			
Trade receivables	12.1	16,993	41,359
Accrued income	12.1	18,750	-
Amounts owed by related parties	12.1	96,721	45,310
Amounts owed by joint venture partners	12.1	1,145	1,540
Other financial assets	12.1	15,919	81,745
Cash and cash equivalents	12.2	330,500	279,988
Restricted cash	12.3	120,631	149,864
Financial assets at fair value through profit or loss	12.4	750	-
Fair value of hedge	12.4	11,371	-
Financial liabilities			
Liabilities at amortised cost			
Amounts owed to joint venture partners	12.5	3,519	4,341
Trade payables	12.5	15,093	11,916
Other financial liabilities	12.5	52,733	114,014
Borrowings	12.7	134,662	39,259
Tax payable		102,185	141,420
Financial liabilities at fair value through profit or loss	12.6	3,032	8,209
Lease liabilities		86	69
Fair value of hedge	12.6	-	86,062

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 receivables

	31 December 2023 £'000	31 December 2022 £'000
Trade receivables	16,993	37,738
Amounts owed by related parties	96,721	45,310
Amounts owed by joint venture partners	1,145	1,540
Prepayments	4,207	3,205
Accrued income	18,750	55,526
Other receivables	15,919	26,101
Total trade and other receivables	**165,106**	**169,420**

Within other receivables a £12.1 million lifetime expected credit loss is recognised due to the uncertainty of recoverability of the balance overdue from certain debtors (2022: £12.1 million). The receivable is in respect of amounts due under an indemnification clause in the SPA for the disposal of one of subsidiaries of the Group. The directors are in ongoing discussions regarding collection of the amount due with legal action with further information in respect of the method and probability of collection expected within the next twelve months. The net amount due following lifetime expected credit loss is £15.7 million (2022: £15.7 million). A forward-looking assessment conducted by the directors at the balance sheet date was consistent with the above, and as such no further provision for expected credit loss has been provided for at this stage, although the ultimate outcome will be dependent upon negotiations between the parties or successful legal action and is therefore currently uncertain. The directors have exercised their judgement in reaching the above conclusion.

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 at transaction price.

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

12.1.2. Fair values of trade and other receivables

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

12.1.3. Impairment and risk exposure

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

12.2. Cash and cash equivalents

	31 December 2023 £'000	31 December 2022 £'000
Cash at bank and in hand	296,085	279,988
Term deposits	34,415	-
Total cash and cash equivalents	**330,500**	**279,988**

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

12.3. Restricted cash

	31 December 2023 £'000	31 December 2022 £'000
Restricted cash	120,631	150,398

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
- Collateral accounts for the purpose of covering risk exposure of hedges entered by Group

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

12.4. Financial assets at fair value through profit or loss

	2023 £'000	2022 £'000
Underlift	750	-
Fair value of hedge	11,371	-
	12,121	

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

	2023 £'000	2022 £'000
Change in value of underlift and overlift	(2,158)	2,510
Gain/(loss) on hedging derivatives	123,624	(103,406)

12.4.1. 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 12.8.1.

12.5. Trade and other payables at amortised cost

Current	31 December 2023 £'000	31 December 2022 £'000
Trade and joint venture payables	18,613	16,257
Accruals	34,148	43,002
Contract liabilities	555	-
Other payables	9,705	55,774
Total trade and other payables at amortised cost	**63,021**	**115,033**

Non-current	£'000	£'000
Other payables	8,324	15,238
Total trade and other payables at amortised cost	**8,324**	**15,238**

Trade and other payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Other payables above include £5.0 million (2022: £45.9 million) reverse consideration payable for Foinaven disposal. Also, £8.3 million (2022: £8.3 million) of non-current liability in relation to contingent consideration for Glendronach asset included within other payables.

12.6. Financial liabilities at fair value through profit or loss

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

	31 December 2023 £'000	31 December 2022 £'000
Overlift	3,032	8,209
Fair value of hedge	-	86,062
	3,032	**94,271**

12.7. Loans and borrowings

12.7.1. Loans receivable

Loans receivable from related parties	31 December 2023 £'000	31 December 2022 £'000
At 1 January	**147,433**	**147,433**
Interest charged	4,754	4,754
Interest received	(4,754)	(4,754)
At 31 December	**147,433**	**147,433**

During 2020, RockRose Energy Limited issued a loan to its parent, Viaro Energy Limited. The loan is unsecured and repayable on 15 September 2025. Interest accrues at an annual rate of 3.25% per annum and is payable in cash and held within current amounts owed from related parties. Based on management's judgement, the probability of default of Viaro Energy Limited is considered to be very low and any subsequent expected credit loss to be immaterial. Therefore, no expected credit loss recognised in 2023 (2022: £nil).

12.7.2. Loans payable and borrowings

		31 December 2023 £'000	31 December 2022 £'000
Loans payables to related parties	***(i)***		
At 1 January		**-**	**30,859**
Loan (repaid)/received		-	(30,859)
Interest expense		-	1,422
Interest paid		-	(1,422)
At 31 December		**-**	**-**
Loans payable to Engie	***(ii)***		
At 1 January		**39,259**	**68,921**
Loan repayments		(21,664)	(35,761)
Interest expense		3,067	6,099
At 31 December		**20,662**	**39,259**
Loans payable to EnQuest	***(iii)***		
At 1 January		**-**	**-**
Loan received		114,000	-
At 31 December		**114,000**	**-**

(i) During 2021 Viaro Energy Limited issued loan to Rockrose CS1 B.V. that matures on 31 December 2028 and accrues interest at 6%. Loan was fully settled in 2022.

(ii) In 2021 the Company entered into prepayment agreement with Engie SA for total amount of £65.0 million against future deliveries of gas. The prepayment will be settled by 31 December 2025. As at 31 December 2023 £20.7 million of the loan outstanding of which £10.3 million is classified within current loans and borrowings as they fall due within 12 months from balance sheet date.

(iii) As a part of Bressay acquisition, EnQuest PLC provided vendor loan to RockRose Energy Limited for the total amount £114 million on 29 December 2023 (see note 21.1.2). £85.5m of the total amount bears an interest rate of 5% per annum and is repayable by 28 February 2024. £28.5m accrues interest at 2.5% and is secured against RockRose UKCS 10 Limited's interest in the FPSO, P&M and Bressay field and expected to be repaid from 75% of post-tax cashflows generated by the Bressay field or any other field which the FPSO is deployed. As at 31 December 2023 £85.5 million of the loan outstanding is classified within current loans and borrowings as they fall due within 12 months from balance sheet date. £85.5 million was repaid to EnQuest PLC in January 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12.8. Recognised fair value measurements

12.8.1. Fair value hierarchy

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value through the profit or loss ("FVTPL") at 31 December 2023 and 31 December 2022 on a recurring basis:

31 December 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Fair value of commodity hedges	-	11,371	-	11,371
Underlift	750	-	-	750
Investment property and building (notes 6 and 8)	-	-	11,416	11,416
Total financial assets	**750**	**11,371**	**11,416**	**23,537**
Financial liabilities				
Overlift	3,302	-	-	3,302
Total financial liabilities	**3,302**	**-**	**-**	**3,302**

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

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2023 or 31 December 2022.

There were no transfers between levels of fair value hierarchy.

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

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year.

12.8.2. Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include: the use of quoted market prices or dealer quotes for similar instruments. As at 31 December 2023, company had below financial instruments:

Commodity type	Financial instrument	Units	Volume	Average hedge price, £	Quoted market price, £	Gain, £
Oil	Swap	Barrels	84,000	52.88	59.78	(580,000)
Natural Gas	Swap	Therms	36,600,000	1.18	0.85	11,950,888

13. Non-financial assets and financial liabilities

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

- specific information about each type of non-financial asset and non-financial liability
  - property, plant and equipment (note 6)
  - intangible assets (note 7)
  - current and deferred tax balances (note 5)
  - pension assets (note 10)
  - inventories (note 11)
  - provisions (note 14)
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved (note 17).

14. Provisions

	Decommissioning provision £'000	Other provisions £'000	Total provision £'000
At 1 January 2022	620,041	40	620,081
Utilisation	(14,350)	-	(14,350)
Changes in estimates	(115,100)	-	(115,100)
Unwinding of the discount	9,108	-	9,108
Exchange differences	8,352	-	8,352
At 31 December 2022	**508,051**	**40**	**508,091**
Utilisation	(10,196)	-	(10,196)
Changes in estimates	169,372	-	169,372
Unwinding of the discount	17,441	-	17,441
Exchange differences	(3,159)	-	(3,159)
At 31 December 2023	**681,509**	**40**	**681,549**

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. A provision is made for the estimated cost of decommissioning at balance sheet date for the Group's share of the overall costs. Cost estimates incorporating risk have been discounted in the Group's presentational currency, at an average nominal risk-free discount rate of 3.9% (2022: real discount rate of 3.7%), representing Management's best estimate of the rate that reflects current market assessment of the time value of money. If the discount rate were decreased by 1% the value of provisions could increase by c.£54.2 million. The estimation of discount rates is also considered to be judgemental and can have a significant impact on net present value.

The timing of spend is based on the economic cut off point for the producing assets. Provisions acquired in business combinations have been calculated based on the latest cost estimates. If cost estimates increased by 10%, the value of provision could increase by £68.1 million (2022: £50.6 million). The payment dates are uncertain and are currently anticipated to be between 2024 and 2042 for the relevant producing fields. It is anticipated that the Group will obtain full tax relief on its decommissioning liabilities in the UK. The change in estimates in 2023 is principally driven by change in nominal discount rate and increases in underlying cost estimates due to the inflation. £137.8 million (2022: £1.3 million) of the £169.4 million (2022: £115.1 million) change in estimates has been taken to decommissioning assets within Property, Plant and Equipment ("PPP") (note 6), with £31.4 million expense (2022: £112.4 million credit) taken to the profit or loss account. When Decommissioning assets are fully impaired, any reduction in decommissioning liability is recognised directly in profit and loss account and any increases are initially recognised as decommissioning asset within PPE and subsequently reviewed for an impairment. In 2022 the change in estimate was recognised directly in profit and loss account due to the decrease in decommissioning liabilities while in 2023 the opposite occurred. Therefore in 2023, the majority of the change in estimate was recognised as decommissioning assets and for the assets that are no longer in production it was recognised directly in profit and loss account. The above decommissioning provision of £681.5 million (2022: £508.1 million) includes £35.1 million (2022: £23.0 million) classified within current liabilities. Estimated maturity profile of undiscounted decommissioning costs shown below:

	2023 £'m	2022 £'m
1 – 5 years	262	172
6 – 10 years	268	204
11 – 15 years	232	153
16 – 20 years	174	193
Effect of discounting (2023: 3.9%; 2022: 3.7%)	(255)	(214)
Decommissioning provision per balance sheet	**681**	**508**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Share capital and premium

	Shares	Share capital	Share premium	Total
	Number	£'000	£'000	£'000
Balance at 31 December 2022	13,349,379	2,670	3,471	6,141
Share capital reduction	(13,349,279)	(2,670)	(3,471)	(6,141)
Balance at 31 December 2023	**100**	**-**	**-**	**-**

The holders of ordinary shares are entitled to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. No new shares issued during the year. In December 2023 a share capital reduction with solvency statement was undertaken to reduce the number of shares issued from 13,349,379 shares to 100 shares at £1 each. There has been no cash flow impact from this share capital reduction.

16. Cash flow information

16.1. Cash generated from operations

	31 December 2023	31 December 2022
	£'000	£'000
Cash flows from operations		
Profit before income tax of continuing operations	52,231	358,131
Profit before income tax of discontinuing operations	-	7,032
Profit before income tax	**52,231**	**365,163**
Adjustments to reconcile profit before tax for the year to net cash flows:		
Foreign exchange gain on operating activities	1,938	(6,171)
Finance costs	34,751	25,525
Finance income	(15,375)	(5,388)
Gain on disposal/acquisition	-	(8,249)
Fair value adjustment to investment property	1,140	-
Fair value adjustment to property, plant and equipment	431	-
Unrealised losses on commodity hedges	(97,315)	99,285
Impairment of goodwill	29,285	-
Impairment of producing and development assets	51,745	-
Impairment reversal of producing and development assets	-	(4,672)
Impairment of exploration assets	35,684	12,923
Depreciation and amortisation	214,251	243,698
Change in estimate of decommissioning provisions	31,389	(112,389)
Change in estimate of decommissioning recovery asset	(40,304)	43,552
Operating cash flows before movements in working capital	**300,351**	**653,277**
Working capital adjustments		
(Decrease)/Increase in inventory	(2,631)	2,508
Decrease in trade and other receivables	3,564	48,298
Increase/(decrease) in trade and other payables	2,445	(34,074)
Decrease/(Increase) in restricted cash	29,767	(107,561)
Net cash generated from operating activities	**333,496**	**562,448**

16.2. Changes in liabilities arising from financing activities

	Liabilities from financing activities		Other assets	Net funds/ Net (debt)
	Leases	Borrowings	Cash and cash equivalents	Total
	£'000	£'000	£'000	£'000
Net debt as at 1 January 2022	**(2,119)**	**(97,958)**	**36,148**	**(63,929)**
Cash flows	488	58,699	240,157	299,344
Disposals	1,472	-	-	1,472
Foreign exchange adjustments	-	-	3,683	3,683
Net debt as at 31 December 2022	**(159)**	**(39,259)**	**279,988**	**240,570**
Cash flows	64	(95,403)	52,093	(43,246)
Foreign exchange adjustments	-	-	(1,581)	(1,581)
Net debt as at 31 December 2023	**(95)**	**(134,662)**	**330,500**	**195,743**

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 recoverable values of producing assets – note 6.2
- estimation of recoverable values of intangible assets and goodwill – note 7
- estimation of fair value of investment properties – note 8
- estimation of defined benefit pension obligations – note 10
- estimation of expected credit losses on financial assets – notes 12.1, 12.7.1 and 8.3 (Company only)
- estimation of provision for decommissioning liabilities – note 14
- estimation of fair values of assets and liabilities acquired – note 19

The areas involving significant judgements are:

- judgement on the recognition of deferred tax assets in relation to available future taxable profits – note 5.3
- judgement on splitting assets between property, plant and equipment and investment property – note 6
- judgement on indicators of impairment in relation to producing and development assets – note 6.2
- judgement on indicators of impairment in relation to intangible assets – note 7.2
- judgement on determining cash-generating units for the purpose of impairment – notes 6.2 and 7.2
- judgements on recognition of expected credit losses on financial assets – note 12.1, 12.7.1 and 8.3 (Company only)
- judgements on the timing of when decommissioning costs will be incurred – note 14
- judgement on acquisitions on determining whether the acquisition is business or asset – note 21

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.

17.2. Climate change

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 2023 and 2022, 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 2023, the Group had 0.1 million barrels of oil hedged at an average price of £52.9/bbl and 0.6 million barrels of oil equivalent gas hedged at an average price of £71.9/boe (2022: 0.03 million barrels of oil hedged at an average price of £58.6/bbl and 1.8 million barrels of oil equivalent gas hedged at an average price of £76.9/boe). The table below illustrates the impact on profit before tax of changes in commodity prices pre-hedging. The impact on shareholder's equity is the same.

	2023	2022
Financial performance		
Crude oil sales during the year (£'000s)	106,374	146,924
Gas sales during the year (£'000s)	378,877	714,775
Average crude oil price (£) per bbl	69.35	84.71
Average gas price (£) per boe	55.15	93.61
Sensitivities		
Impact of decrease of crude oil prices by 10% (2022: 10%) (£'000s)	(10,637)	(14,692)
Impact of decrease of gas prices by 10% (2022: 10%) (£'000s)	(37,888)	(71,477)

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 main functional currency (GBP). The following foreign exchange rates were applied in the preparation of financial statements:

	2023	2022
	£'000	£'000
As at 31 December (US$ to GBP)	1.275	1.204
Average for the year (US$ to GBP)	1.241	1.244
As at 31 December (EUR to GBP)	1.154	1.128
Average for the year (EUR to GBP)	1.150	1.174

18.1. Market risk (continued)

Exposure

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

	2023	2023	2022	2022
	$'000	£'000	$'000	£'000
Cash at bank	30,848	24,200	57,401	47,679
Restricted cash	-	-	4,500	3,738
Working capital accruals	(163)	(128)	-	-
Trade payables	(1,261)	(989)	(1,971)	(1,637)
	29,424	**23,083**	**59,930**	**49,780**
	€'000	£'000	€'000	£'000
Cash at bank	68,159	59,068	71,587	63,480
Working capital accruals	(7,343)	(6,364)	(4,449)	(3,945)
Trade payables	(297)	(257)	(2,186)	(1,938)
	60,519	**52,447**	**64,952**	**57,597**

Sensitivities

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

	2023	2022
	£'000	£'000
Impact of decrease of USD vs GBP by 10% (£'000s)	(2,308)	(4,978)
Impact of decrease of EUR vs GBP by 10% (£'000s)	(5,245)	(5,760)

18.2. Credit risk

Credit risk is managed on a Group basis. Credit risk in financial instruments arises from cash and cash equivalents. For banks and financial institutions, only those rated with an A-/A3 credit rating or better are accepted. Cash balances can be invested in short-term bank deposits and AAA-rated liquidity funds, subject to Board approved limits and with a view to minimising counterparty credit risks. In addition, there are credit risks of commercial counterparties including exposures in respect of outstanding receivables. The Group trades only with recognised international oil and gas companies and constantly monitors the amounts due by counterparties. See note 28.17 for details of expected credit loss policy.

Following expected credit loss review at year end there were £nil trade receivables, £nil joint venture receivables and £nil amounts owed by related parties past due (2022: £nil).

Within other receivables, there is a £12.1m lifetime expected credit loss allowance (2022: £12.1 million). There has been no expected credit loss charge in the current period Management assessed the recoverability of the receivable and a forward-looking assessment was consistent with the above, and as such no further provision for expected credit loss has been provided for.

18.3. Liquidity risk

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

As at 31 December 2023	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	18,613	-	-	-	18,613	18,613
Lease liabilities	43	43	11	-	97	95
Financial liabilities (FVTPL)	3,032	-	-	-	3,032	3,032
	21,688	**43**	**11**	**-**	**21,742**	**21,740**

As at 31 December 2022	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	16,257	-	-	-	16,257	16,257
Lease liabilities	35	35	71	22	162	159
Financial liabilities (FVTPL)	8,209	-	-	-	8,209	8,209
	24,501	**35**	**71**	**22**	**24,628**	**24,625**

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 £158.0 million of surety bonds as at 31 December 2023 (2022: £150.5 million) to cover its obligations under its various Decommissioning Security Agreements (DSAs). Should Rockrose Energy Limited be in default under the DSAs and the Bond Provider is required to pay out on any issued Bonds then they will require Rockrose Energy Limited to indemnify them by paying cash to cover the Bond Provider's liability.

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

18.4. Capital risk management

The primary objective of the Group's capital management is to optimise the return on investment, by managing its capital structure to achieve capital efficiency whilst also maintaining flexibility. The Group regularly monitors the capital requirements of the business over the short, medium and long term, in order to enable it to foresee when additional capital might be required. The Group's policy is to hedge oil prices and enter into offtake agreements to fix the oil and gas prices on a rolling basis to protect its operating and capital expenditure programmes. As at 31 December 2023 the Group had 0.1 million barrels of oil hedged at average price of £52.9/bbl and 0.6 million barrels of oil equivalent gas hedged at average price of £71.9/boe (2022: 0.3 million barrels of oil hedged at average price of £58.6/bbl and 1.8 million barrels of oil equivalent gas hedged at average price of £76.9/boe).

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

19. Dividends paid

No dividend was paid in relation to 2023 financial year (2022: £nil).

20. Business combinations

20.1. Acquisition of the Spark Exploration UK (P2412) Limited ("Spark acquisition")

Aligned with the Group's growth strategy, on 28 February 2023 Rockrose Energy Limited signed a Share Purchase Agreement ("SPA") with Spark New Energies Limited to purchase the entire share capital of its UK subsidiary, Spark Exploration UK (P2412) Limited, for a total initial consideration of $4.8m (£4.0 million) and subsequent contingent considerations based on a share of future revenue. Management have not been able to reliably assess the value of the contingent consideration based on future revenues given the early stage of the licences. The transaction has an effective date of 1 January 2023. The acquisition comprises of a non-operational 50% equity share in the Ithaca SP E&P Limited operated P2593 licence. The licence contains multiple appraisal and exploration opportunities including the Tuck gas discovery. The transaction completed and control transferred on 29 June 2023 and the company was renamed to RockRose UKCS16 Limited. Since the acquisition, the company made a loss of £0.3 million and the company does not generate revenue at this stage as it only holds appraisal and exploration licenses.

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

	Fair value £'000
Trade and other receivables	1
Appraisal and development assets	308
Trade and other payables	(9)
Net assets acquired	**300**
Total purchase consideration	(4,046)
Goodwill	**3,746**

Goodwill is fully attributable to the Tuck licence (see 7.2 for details of goodwill accounting policy).
Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	**£'000**
Net consideration cash paid	3,945
Working capital adjustment	101
Total purchase consideration	**4,046**

Total cash outflow on acquisition was as follows:	
Cash paid at acquisition	4,046
Net cash acquired	-
Net consolidated cash inflow	**4,046**

20.2. Disposal in 2022

20.2.1. Foinaven disposal

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

20.2.2. Financial performance and cash flow information

	2023 £'000	2022 £'000
Revenue	-	-
Purchases	-	(172)
Administrative expenses	-	(135)
Operating loss	**-**	**(307)**
Finance costs	-	(1,027)
Foreign exchange (loss)/gain	-	117
Income tax expense	-	(4,526)
Loss after income tax of discontinued operations	-	(5,743)
Gain on sale of disposal group after income tax	-	8,249
Profit/(loss) from discontinued operations	**-**	**2,506**
Net cash inflow from operating activities	-	(5,282)
Net decrease in cash generated by the subsidiary	**-**	**(5,282)**

20.2.3. Details of the sale of the disposal group

	2023 £'000	2022 £'000
Reverse consideration		
Present value of cash consideration	-	(90,608)
Total disposal consideration	**-**	**(90,608)**
Carrying amount of net liabilities sold	-	(98,857)
Gain on sale before income tax	**-**	**8,249**
Income tax expense on gain	-	-
Gain on sale after income tax	**-**	**8,249**

Negative consideration has been paid over 24 months period and £50 million payment during 2023 is reflected in consolidated cash flow statement.

£5.0m (2022: £55.0 million) of the negative cash consideration is outstanding at 31 December 2023 and shown within other payables (see note 12.5). £3.1 million is included within finance expense as unwinding of discount (2022: £6.0 million).

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

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

21. Asset acquisitions

The acquisition of Hartshead and Bressay assets were reviewed against the definition of a business under IFRS 3 (note 17). Management's view was that it did not meet the definition and therefore both acquisitions were recognised in accordance with the principles of IAS16.The company recognised the purchase price within Property, plant and equipment.

21.1.1. Hartshead Farm-out

On 30 March 2023 Rockrose Energy Limited subsidiary, RockRose (UKCS2) Limited, signed a Farm-Out Agreement ("FOA") with Hartshead Resources Ltd to buy a 60% non-operated stake in Southern Gas Basin blocks 48/15c, 49/6c, 49/11c, 49/12d and 49/17b. The transaction was completed and control was transferred on 5 April 2023.

21.1.2. Acquisition of Bressay assets

On 29 December 2023 Rockrose Energy Limited subsidiary, RockRose UKCS10 Limited, signed a Sale and Purchase Agreement ("SPA") with EnQuest Dons Leasing Limited (subsidiary of EnQuest PLC) to buy a 15% stake in the Bressay FPSO and 15% of the related Plant & Machinery from EnQuest Heather Limited. The transaction was completed on 29 December 2023.

22. Interests in other entities

Investments in subsidiaries relate to the following subsidiaries of the Group. All subsidiaries are 100% owned by the Group:

	Country	Principal Activity
RockRose (UKCS2) Limited	UK	Exploration, extraction and production of hydrocarbons
RockRose (UKCS3) Limited	UK	Exploration, extraction and production of hydrocarbons
RockRose UKCS4 Limited	UK	Exploration, extraction and production of hydrocarbons
RockRose UKCS 9 Limited	UK	Provision of Group manpower and contracting/procurement services
RockRose UKCS 10 Limited	UK	Exploration, extraction and production of hydrocarbons
RockRose UKCS15 Limited	UK	Exploration, extraction and production of hydrocarbons
RockRose UKCS16 Limited	UK	Exploration, extraction and production of hydrocarbons
RockRose Real Estate Limited	UK	Other letting and operating of own or leased real estate
RockRose (NL) CS1 B.V.	NL	Exploration, extraction and production of hydrocarbons
RockRose (NL) CS2 B.V. [1]	NL	Exploration, extraction and production of hydrocarbons
RockRose (NL) CS3 B.V. [2]	NL	Exploration, extraction and production of hydrocarbons
RockRose (NL) CS4 B.V. [2]	NL	Exploration, extraction and production of hydrocarbons
RockRose (NL) CS5 B.V. [2]	NL	Exploration, extraction and production of hydrocarbons
RockRose (NL) Infrastructure B.V. [1]	NL	Provision of infrastructure

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

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

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

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

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

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

RockRose (UKCS3) Limited (04620801)
RockRose UKCS 9 Limited (01293052)
RockRose UKCS15 Limited (SC375371)
RockRose UKCS16 Limited (11904306)

23. Commitments

In respect of its interest in joint arrangements, the Group is committed to the following as at 31 December 2023:

- Capital expenditure of £198.0 million (2022: £85.7 million) on Producing & Development assets;
- Decommissioning costs of £35.1 million (2022: £22.7 million).

24. Contingent liabilities

As previously disclosed in 2022 accounts, in July 2022 TAQA Bratani Ltd, TAQA Bratani LNS Ltd and Spirit Energy Resources Ltd, partners in the Brae field, issued a claim against Viaro Energy Limited ("VEL") and others including Rockrose Energy Limited ("RRE") seeking declaratory relief and/or an order for payment of such sums that the court sees fit in connection with a distribution of approximately US $85 million declared by Rockrose UKCS 8 LLC (holder of Viaro group's interests in the Brae field) prior to its sale by RRE to Fujairah International Oil & Gas Corporation in December 2020. NEO, also a partner in the Brae field elected not to bring a claim and is not party to the legal proceedings. The claims are denied in their entirety. The company has appointed external counsel to rigorously defend the claim. The court hearings are scheduled for Q4 2024 and the management, having taken external legal advice, considers the chance of a successful claim unlikely. The directors are unable to reliably estimate the extent and timing, if any, of any future possible obligation. Accordingly, no provision has been recognised within the financial statements for the year ended 31 December 2023.

25. Events after the reporting date

On 26 February 2024, The North Sea Transition Authority (NSTA) approved the acquisition of a 15% license interest in the Bressay field for a total consideration of £1 million.

On 29 February 2024, the Company increased its interest in the Tuck asset, P2593 licence, from 50% to 100% for nominal consideration.

On 6 March 2024, the UK Government announced that the Energy Profits Levy (EPL) would be extended for a further 12 months to 31 March 2029 from the former end date of 31 March 2028. Had the extension been substantively enacted before the balance sheet date, then the group's deferred tax liability would have been some £11.4 million higher.

26. Related party transactions

26.1. Subsidiaries

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

26.2. Key management personnel compensation

The following table details the 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.

	2023	2022
	£'000	£'000
Short-term employee benefits	15,992	11,188
Post-employment benefits	25	133
Total key management personnel compensation	**16,017**	**11,321**

The following table details the remuneration of Directors of the Group.

	2023	2022
	£'000	£'000
Short-term employee benefits	10,481	10,850
Post-employment benefits	16	86
Total directors' compensation	**10,497**	**10,936**

Francesco Dixit Dominus was the highest paid Director in 2023 with a total remuneration of £9.9 million (2022: £10.2 million). He was paid a bonus of £9.7 million (2022: £9.9 million).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27. Summary of material accounting policies

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

27.1. Basis of preparation

27.1.1. Going concern

The Group closely monitors and carefully manages its liquidity risk. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, reduction of forward yearly oil prices by 20% and 40% reduction for UK and Dutch forward yearly gas prices from 2024 onwards. To manage the downside risk of commodity prices, the Group enters into various hedging agreements which helps to mitigate liquidity risk. As at 31 December 2023 the Group had net current assets of £320.2 million (2022: £222.9 million) and cash and cash equivalent of £330.5 million (2022: £279.9 million). At balance sheet date the Group had in issue £158.0 million of surety bonds and management is not aware of any circumstances where bonds will not be available for the Group in foreseeable future.

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

27.1.2. Compliance with IFRS

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

27.1.3. Basis of measurement

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

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

27.1.4. New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

– IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 and sets out substantial requirements for the accounting of insurance contracts along with detailed disclosure. The company is not an insurer and has previously not entered into contracts that fall within the scope of IFRS 4 to be treated as insurance contract. However the company is in the process of reviewing its transactions with customers to ensure that there are no contracts falling within the scope of IFRS 17 and therefore are to be accounted for as insurance contracts.

– Definition of Accounting Estimates – amendments to IAS 8

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

– Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

– IAS 12 amendments on deferred tax

The amendment narrows the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporal differences e.g. leases and decommissioning liabilities. For changes affecting leases and decommission liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

27.1.4 New and amended standards adopted by the Group (continued)

– International Tax Reform – Pillar Two Model Rules – amendments to IAS 12

In May 2023, the International Accounting Standards Board (IASB) issued International Tax Reform—Pillar Two Model Rules, which amended IAS 12 Income Taxes. The amendments introduced: a) A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and b) disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

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

27.1.5. New standards and interpretations not yet adopted

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. Amendments to IFRS 16 - Lease liability in a sale and leaseback transaction

- Amendments to IAS 1- Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 - Non-Current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements
- Amendments to IAS 21 - Lack of Exchangeability

These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 27.17).

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

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. Full details of the Group's working interests in those oil and gas activities classified as joint operations are included within Operational review on pages 3 to 6.

27.3. Foreign currency translation

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

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

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

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.

27.4. Revenue recognition

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

27.5. Income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. As regards the temporary Energy Profits Levy, a deferred tax is liability is recorded only in respect of temporary differences which are expected to reverse before the enacted withdrawal date of 31 March 2029.

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

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

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

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

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

27.6. Decommissioning recovery asset

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

27.7. Goodwill

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

27.8. Property, plant and equipment

The Group's accounting policy for property, plant and equipment is explained in note 6.1.4 and 6.1.5.

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

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

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

27.9. Leases

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

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

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

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

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

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

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

27.10. Investment properties

Investment properties, principally office buildings, are held for long-term retail yields and are partially occupied by the Group. They are carried at fair value (see note 8). Changes in fair values are presented in profit or loss as part of other income shown on a separate line.

27.11. Employee benefits

27.11.1. Short-term obligations

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

27.11.2. Post-employment obligations

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

Pension obligations

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

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

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

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

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

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

27.12. Inventories

Inventories except for produced oil and gas inventories are stated at the lower of cost and net realisable value. The value of oil and gas inventories are measured at net realisable value using an observable year-end oil or gas market price.

27.13. Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 12.1 for further information about the Group's accounting for trade receivables and note 27.18 for a description of the Group's impairment policies.

27.14. Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions and deposits with maturities of three months or less from inception.

27.15. Restricted cash

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

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

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

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

27.16. Crude oil under and overlift

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

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

27.17. Business combinations

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred, the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

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

27.18. Financial assets

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

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

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

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

27.18.1. Derivative financial instruments

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

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

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

27.19. Financial liabilities

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

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

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

27.19.1. Trade and other payables

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

27.19.2. Financial liabilities at FVTPL

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

27.20. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

27.21. Provisions

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

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

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

Specific provisions recognition policies are listed below:

Decommissioning and restoration provision

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

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

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

27.22. Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity.

Contingent liabilities also include obligations that are not recognised because their amount cannot be measured reliably or because settlement is not probable. Contingent liabilities do not include provisions for which it is certain that the entity has a present obligation that is more likely than not to lead to an outflow of cash or other economic resources, even though the amount or timing is uncertain.

A contingent liability is not recognised in the statement of financial position. However, unless the possibility of an outflow of economic resources is remote, a contingent liability is disclosed in the notes.

27.23. Contributed equity

Ordinary shares are classified as equity.

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

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

Where paid up capital including share premium is reduced then the share capital will be debited with the amount of the reduction. If the reduction was effected by a repayment then the credit will go to cash, otherwise a reserve account will be created which is treated as a realised profit.

A reduction in the capital redemption or share premium reserve will create a realised profit.

27.24. Dividends

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

27.25. Rounding of amounts

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

COMPANY STATEMENT OF FINANCIAL POSITION

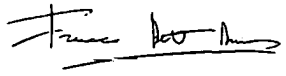
At 31 December 2023

	Note	31 December 2023	31 December 2022
		£'000	£'000
ASSETS			
Non-current assets			
Investment in subsidiaries	2	4,046	104,864
Decommissioning recovery asset	11	158,220	126,581
Amount owed from parent	8.3	147,433	147,433
Amount owed from subsidiary	8.3	317,072	17,016
		626,771	**395,894**
Current assets			
Trade and other receivables	1	11,503	10,773
Decommissioning recovery asset	11	12,284	3,823
Amount owed from subsidiaries	1	40,765	35,028
Cash and cash equivalents	1	119,794	4,510
Restricted cash	1.2	52,263	40,488
		236,609	**94,622**
Total assets		**863,380**	**490,516**
LIABILITIES			
Non-current liabilities			
Borrowing	9	28,500	-
Provisions		1,726	1,926
Trade and other payables	1.3	8,324	8,324
Amount owed to subsidiaries	8.3	-	76,133
		38,550	**86,383**
Current liabilities			
Borrowing	9	85,500	-
Provisions		200	-
Trade and other payables	1.3	31,533	3,046
Amount owed to subsidiaries	1	13,286	157,133
		130,519	**160,179**
Total liabilities		**169,069**	**246,562**
Net assets		**694,311**	**243,954**
EQUITY			
Share capital and share premium	3.1	-	6,141
Other reserves	3.2	24,062	24,062
Retained earnings	3.3	670,249	213,751
Total equity		**694,311**	**243,954**

The above balance sheet should be read in conjunction with the accompanying notes. The company's profit for the year was £456.5 million (2022: loss of £71.1 million).

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

These financial statements on pages 61 to 73 were approved and authorised for issue by the board of Directors on 5 April 2024 and were signed on its behalf by:



Francesco Dixit Dominus

Rockrose Energy Limited registered number 09665181

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital	Share premium	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022	**2,670**	**3,471**	**24,062**	**284,846**	**315,049**
Loss for the year	-	-	-	(71,095)	**(71,095)**
Total comprehensive income	-	-	-	(71,095)	**(71,095)**
Balance as 31 December 2022	**2,670**	**3,471**	**24,062**	**213,751**	**243,954**
Balance at 1 January 2023	**2,670**	**3,471**	**24,062**	**213,751**	**243,954**
Share capital reduction	(2,670)	(3,471)	-	-	(6,141)
Profit for the year	-	-	-	456,498	456,498
Total comprehensive income	**-**	**-**	**-**	**456,498**	**456,498**
Balance as 31 December 2023	**-**	**-**	**24,062**	**670,249**	**694,311**

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**4**	**391,302**	**25,984**
Interest received		9,544	5,180
Interest paid		(5,658)	(4,384)
Decommissioning recovery income		4,717	4,717
Net cash inflow from operating activities		**399,905**	**31,497**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in subsidiaries	2	-	(8,215)
Payment for acquisition of subsidiary, net of cash acquired	2	(4,046)	-
Increase in restricted cash	1.2	(11,775)	(26,851)
Net cash used in investing activities		**(15,821)**	**(35,066)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowing	9	114,000	-
Repayment of loans from subsidiaries	8.3	(76,129)	9,979
Loans provided to subsidiaries	8.3	(306,032)	(17,016)
NET CASH USED IN FINANCING ACTIVITIES		**(268,161)**	**(7,037)**
Net increase/(decrease) in cash and cash equivalents		**115,923**	**(10,606)**
Cash and cash equivalents at 1 January		**4,510**	**15,116**
Effect of foreign exchange rate		(629)	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**119,794**	**4,510**

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 2023 £'000	31 December 2022 £'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	11,503	10,773
Loans owed by related parties	147,433	147,433
Loans owed by group undertakings	317,071	17,016
Amounts owed from subsidiaries	6,493	4,840
Amount owed from related parties	34,272	30,188
Cash and cash equivalents	119,794	4,510
Restricted cash	52,263	40,488
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	31,533	11,374
Provisions	1,926	1,926
Borrowing	114,000	-
Amount owed to subsidiaries	13,286	157,133
Loans owed to subsidiaries	-	76,129

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.

All amounts owed by and to group undertakings and related parties are interest free and repayable on demand.

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 2023		31 December 2022	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Loan to subsidiary (i)	-	317,071	-	17,016
Loan to parent (ii)	-	147,433	-	147,433
	-	**464,504**	**-**	**164,449**

See note 12.7 for the relevant accounting policies.

1.1.1 Classification of financial assets at amortised cost (continued)

Loans to subsidiary and parent

(i) During 2023 loan issued to its subsidiary, RockRose UKCS 10 Limited. The loan is unsecured and repayable on 1 November 2033. Interest accrues at an annual rate of 4.99% per annum and is payable in cash.
During 2023 loan issued to its subsidiary, RockRose (UKCS2) Limited. The loan is unsecured and repayable on 1 July 2032. Interest accrues at an annual rate of 4.99% per annum and is payable in cash.
During 2022 loan issued to its subsidiary, RockRose Real Estate Limited. The loan is unsecured and repayable on 1 July 2032. Interest accrues at an annual rate of 4.99% per annum and is payable in cash.

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

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

1.1.2. Impairment and risk exposure

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

The intercompany loans outstanding as at 31 December 2023 are denominated in GBP.

1.2. Restricted cash

	31 December 2023 £'000	31 December 2022 £'000
Restricted cash	52,263	40,488

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

1.3. Trade and other payables

Current	31 December 2023 £'000	31 December 2022 £'000
Trade payables	30,775	2,383
Accruals	758	663
	31,533	**3,046**

Non-current	£'000	£'000
Other payables	8,324	8,324

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

NOTES TO COMPANY FINANCIAL STATEMENTS

2. Investment in subsidiaries

Shares in Group undertakings	2023 £'000	2022 £'000
As at 1 January	**104,864**	**96,649**
Additions in year – Share capital addition of RockRose UKCS10 Limited	-	8,215
Additions in year – Acquisition of RockRose UKCS16 Limited	4,046	-
Impairments in the year – RockRose UKCS4 Limited	(37,667)	-
Impairments in the year – RockRose UKCS 10 Limited	(67,197)	-
As at 31 December	**4,046**	**104,864**

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.

The investment in subsidiary balance for RockRose UKCS15 Limited was transferred to RockRose UKCS 10 Limited as all business interests and assets were also transferred from RockRose UKCS15 Limited to RockRose UKCS 10 Limited.

Due to a decrease in oil and gas prices the value of RockRose UKCS4 Limited and RockRose UKCS 10 Limited are no longer supported by the investment value and following management review the balance has been fully impaired in 2023.

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

Please refer to note 20 to the consolidated financial statements for details of additions during 2023.

3. Equity

3.1. Share capital and share premium

Please refer to note 15 of the consolidated financial statements on page 44 for details.

3.2. Other reserves

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

3.3. Retained earnings

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

4. Cash flow information

	31 December 2023 £'000	31 December 2022 £'000
Cash flows from operations		
Profit/(loss) before income tax	**456,498**	**(71,095)**
Adjustments to reconcile profit/(loss) before tax for the year to net cash flows:		
Foreign exchange loss on operating activities	(10,214)	-
Finance costs	5,658	4,38
Finance income	(9,544)	(5,180)
Impairment of investment in subsidiaries	104,864	-
Change in estimate of decommissioning recovery asset	(40,304)	43,551
Movement in provision	200	(411)
Operating cash flows before movements in working capital	**513,134**	**(28,751)**
Working capital adjustments		
(Increase)/decrease in trade and other receivables and related parties	(6,467)	10,826
(Decrease)/increase in trade and other payables and related parties	(115,365)	43,909
Net cash generated from operating activities	**391,302**	**25,984**

5. Employee information

The Company had no employees during the year (2022: £nil). The Directors of the Company were remunerated by another company of the Group. See Directors' Report on page 12 for details of Directors served during the year.

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

6. Financial risk management

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

6.1. Credit risk

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

Within other receivables a £12.1 million expected credit loss is recognised due to the uncertainty of recoverability of the balance due (2022: £12.1 million). A forward-looking assessment was consistent with the above, and as such no further provision for expected credit loss has been provided for. For further details please see Note 12.1 in the consolidated financial statements.

6.2. Risk management

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

6.3. Liquidity risk

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

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

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Over 5 years	Total contractual cash flows	Carrying amount liabilities
As at 31 December 2023	£'000	£'000	£'000	£'000	£'000
Trade payables	39,099	-	-	39,099	39,099
Accruals	758	-	-	758	758
Borrowing	85,500	-	28,500	114,000	114,000
Amount owed to group subsidiaries	13,286	-	-	13,286	13,286
Total non-derivatives	**138,643**	**-**	**28,500**	**167,143**	**167,143**

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

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 19 to the consolidated financial statements.

NOTES TO COMPANY FINANCIAL STATEMENTS

8. Related party transactions

8.1. Transactions with related parties

The following transactions occurred with related parties:

	2023	2022
	£'000	£'000
Dividend revenue:		
Dividends received from subsidiary undertakings	521,141	-
Sales and purchases of services:		
Purchase of services from subsidiary undertakings	5,170	2,981

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:

	2023	2022
	£'000	£'000
Current payables (purchases of services)		
Subsidiary undertakings	5,170	2,981

8.3. Loans to/from group undertakings

	2023	2022
	£'000	£'000
Loans receivable from Viaro Energy Limited (parent)		
At 1 January	**147,433**	**147,433**
Interest charged	4,754	4,754
Interest received	(4,754)	(4,754)
At 31 December	**147,433**	**147,433**
Loans receivable from Rockrose Real Estate Limited (subsidiary)		
At 1 January	**17,076**	-
Loan provided	-	17,016
Interest charged	426	426
Interest received	(426)	(426)
Expected credit losses	(315)	-
At 31 December	**16,701**	**17,016**
Loans receivable from Rockrose UKCS 10 Limited (subsidiary)		
At 1 January	**-**	-
Loan provided	290,398	
Interest charged	2,382	-
Interest received	(2,382)	-
Expected credit losses	(5,372)	-
At 31 December	**285,025**	-
Loans receivable from Rockrose (UKCS2) Limited (subsidiary)		
At 1 January	**-**	-
Loan provided	15,634	
Interest charged	204	-
Interest received	(204)	-
Expected credit losses	(289)	-
At 31 December	**15,345**	-

8.3. Loans to/from group undertakings (continued)

	2023	2022
Loans payable to Rockrose UKCS10 Limited (subsidiary)	£'000	£'000
At 1 January	**76,129**	**66,154**
Loan received	-	9,975
Loan repaid	(76,129)	-
Interest charged	(1,997)	(4,376)
Interest paid	1,997	4,376
At 31 December	**-**	**76,129**

Following the management review, the expected credit loss of £6.0 million (2022: £nil) was recognised in relation loans receivable from subsidiaries (see note 11). Expected credit loss is measured at an amount equal to the 12-month expected credit losses.

8.4. Terms and conditions

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

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

The loan to Viaro Energy Limited matures on 15 September 2025 and accrues interest at 3.25% (2022: 3.25%).

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

The loan to RockRose UKCS 10 Limited matures on 1 November 2033 and accrues interest at 4.99%.

The loan to RockRose (UKCS2) Limited matures on 1 July 2033 and accrues interest at 4.99%.

The loan from Rockrose UKCS 10 Limited matures on 1 July 2029 and accrues interest at 2.25% per annum above the six (6) months United States Government Bond Yield. The loan was fully repaid in 2023.

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

9. Borrowing

	2023	2022
	£'000	£'000
At 1 January	**-**	**-**
Loan received	114,000	-
At 31 December	**114,000**	**-**

As a part of the Bressay acquisition, EnQuest PLC provided vendor loan to RockRose Energy Limited for the total amount £114 million on 29 December 2023 (see note 21.1.3). £85.5m of the total amount bears an interest rate of 5% per annum and is repayable by 28 February 2024. £28.5m accrues interest at 2.5% and is secured against RockRose UKCS 10 Limited's interest in the FPSO, P&M and Bressay field and expected to be repaid from 75% of post-tax cashflows generated by the Bressay field or any other field which the FPSO is deployed. As at 31 December 2023 £85.5 million of the loan outstanding is classified within current loans and borrowings as they fall due within 12 months from balance sheet date. £85.5 million was repaid to EnQuest PLC in January 2024.

10. Ultimate parent company and parent company of larger group

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

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

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

NOTES TO COMPANY FINANCIAL STATEMENTS

11. Information included in the notes to the consolidated

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

Decommissioning recovery – see note 9

Subsidiaries – see note 22

Dividends – see note 19

Events occurring after the reporting date – see note 25

Auditors' remuneration – see note 4.5

Contingent liabilities – see note 24

Key management personnel compensation – see note 26.2

Borrowings – see note 27.20

Judgements on recognition of expected credit losses on financial assets – see note 17.1

12. Summary of material accounting policies

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

12.1. Basis of preparation

12.1.1. Compliance with IFRS

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

12.1.2. Basis of measurement

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

12.1.3. New and amended standards adopted by the company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 and sets out substantial requirements for the accounting of insurance contracts along with detailed disclosure. The company is not an insurer and has previously not entered into contracts that fall within the scope of IFRS 4 to be treated as insurance contract. However the company is in the process of reviewing its transactions with customers to ensure that there are no contracts falling within the scope of IFRS 17 and therefore are to be accounted for as insurance contracts.

- Definition of Accounting Estimates – amendments to IAS 8

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

12.1.3 New and amended standards adopted by the company (continued)

- IAS 12 amendments on deferred tax

The amendment narrows the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporal differences e.g. leases and decommissioning liabilities. For changes affecting leases and decommission liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12

In May 2023, the International Accounting Standards Board (IASB) issued International Tax Reform—Pillar Two Model Rules, which amended IAS 12 Income Taxes. The amendments introduced: a) A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and b) disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

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

12.1.4. New standards and interpretations not yet adopted

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. Amendments to IFRS 16 - Lease liability in a sale and leaseback transaction

- Amendments to IAS 1- Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 - Non-Current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements
- Amendments to IAS 21 - Lack of Exchangeability

These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

12.1.5. Going concern

At year end, Company had cash and cash equivalent balance of £119.8 million (2022: £4.5 million) which indicates the Company has available sufficient financial resources to meet any future obligations.

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

12.2. Investment in subsidiaries

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

12.3. Functional and presentation currency

The functional and presentational currency of the Company is British Pound Sterling (GBP). Refer to note 27.3 of the consolidated financial statement for details.

12.4. Income tax

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

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

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

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

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

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

12.5. Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions and deposits with maturities of three months or less from inception.

12.6. Restricted cash

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

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

The fair value of restricted cash is the same as the above book values. Refer to note 18.3 of the consolidated financial statements on page 48 for details.

12.7. Financial assets

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

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

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

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

12.8. Trade and other payables

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

12.9. Dividend income

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

12.10. Contributed equity

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

12.11. Rounding of amounts

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

COMPANY INFORMATION

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

GLOSSARY

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

Boe – barrels of oil equivalent

Boepd – barrels of oil equivalent produced per day

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

Company – Rockrose Energy Limited

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

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

Group – Rockrose Energy Limited and its subsidiaries

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

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

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

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

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