

Registered number: 03168611

DESIRE PETROLEUM LIMITED

UNAUDITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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DESIRE PETROLEUM LIMITED

COMPANY INFORMATION

Director	Samuel Moody
Company secretary	Jan Davies
Registered number	03168611
Registered office	Warner House 123 Castle Street Salisbury Wiltshire SP1 3TB

DESIRE PETROLEUM LIMITED

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DESIRE PETROLEUM LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The director presents his report and the financial statements for the year ended 31 December 2022.

Director

The director who served during the year was:

Samuel Moody

Qualifying third party indemnity provisions

The Company has entered into separate indemnity deeds with each director containing qualifying indemnity provisions, as defined at section 236 of the Companies Act 2006, under which the Company has agreed to indemnify them, in respect of certain liabilities, which may attach to them as a director or as a former director of the Company. At the date of this report, indemnity deeds containing qualifying indemnity provisions are in force for all the Company's directors.

Small companies note

In preparing this report, the director has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 28 September 2023 and signed on its behalf.



Samuel Moody
Director

DESIRE PETROLEUM LIMITED

**DIRECTOR'S RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DESIRE PETROLEUM LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$000	2021 \$000
Impairment of intangible assets	6	(105)	66
Gross (loss)/profit		(105)	66
(Loss)/profit for the financial year		(105)	66

There are no items of other comprehensive income for 2022 or 2021 other than the (loss)/profit for the year.

The notes on pages 6 to 11 form part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$000	2021 \$000
(Loss)/profit for the financial year		(105)	66
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
 Total comprehensive income for the year		(105)	66

There were no recognised gains and losses for 2022 or 2021 other than those included in the profit and loss account.

The notes on pages 6 to 11 form part of these financial statements.

DESIRE PETROLEUM LIMITED
REGISTERED NUMBER: 03168611

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 \$000	2021 \$000
Fixed assets			
Creditors: amounts falling due within one year	7	(4,440)	(4,335)
Net current liabilities		(4,440)	(4,335)
Total assets less current liabilities		(4,440)	(4,335)
Net assets excluding pension asset		(4,440)	(4,335)
Net liabilities		(4,440)	(4,335)
Capital and reserves			
Called up share capital		6,406	6,406
Share premium account		228,939	228,939
Profit and loss account		(239,785)	(239,680)
		(4,440)	(4,335)

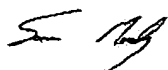
The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The Company was entitled to exemption from audit under section 477 of the Companies Act 2006.

The director acknowledges his responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 September 2023.



Samuel Moody
Director

The notes on pages 6 to 11 form part of these financial statements.

DESIRE PETROLEUM LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	\$000	\$000	\$000	\$000
At 1 January 2022	6,406	228,939	(239,680)	(4,335)
Comprehensive income for the year				
Loss for the year	-	-	(105)	(105)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(105)	(105)
Total transactions with owners	-	-	-	-
At 31 December 2022	6,406	228,939	(239,785)	(4,440)

The notes on pages 6 to 11 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	\$000	\$000	\$000	\$000
At 1 January 2021	6,406	228,939	(239,746)	(4,401)
Comprehensive income for the year				
Profit for the year	-	-	66	66
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	66	66
Total transactions with owners	-	-	-	-
At 31 December 2021	6,406	228,939	(239,680)	(4,335)

The notes on pages 6 to 11 form part of these financial statements.

DESIRE PETROLEUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

Desire Petroleum Limited (the "Company") is a private limited company incorporated and domiciled in the UK. The principal activity of the Company is the evaluation and exploitation of its oil exploration licences on its acreage in the North Falkland Basin.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement of paragraph 24(b) of IFRS 6 Exploration for and Evaluation of Mineral Resources to disclose the operating and investing cash flows arising from the exploration for and evaluation of mineral resources
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of Rockhopper Exploration plc as at 31 December 2022 and these financial statements may be obtained from www.rockhopperexploration.co.uk.

DESIRE PETROLEUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Director has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its immediate parent company, Rockhopper Exploration plc, to meet its obligations as they fall due for that period.

Those forecasts are dependent on Rockhopper Exploration plc providing additional financial support during that period. As disclosed in the financial statements of Rockhopper Exploration plc as at the 31 December 2022 the Group had 56.5 million unexercised 9 pence warrants in issue. Assuming the share price is in excess of 9 pence, which it is at time of writing, the Group expects the majority of these warrants to be exercised providing additional funds of up to £5million. As at the date of signing these financial statements, given the expiry date of the warrants is 31 December 2023, most of the warrants remain outstanding.

To provide the intended financial support to the Company and in the downside circumstances where these outstanding warrants are not fully exercised the Group would have to raise additional funds to meet both legal costs in relation to the arbitration and normal working capital requirements and mitigating action would be required. Potential mitigating actions, some of which are outside the Group's control, could include collection/monetisation of arbitration award proceeds, deferral of expenditure or raising additional equity.

As the Company is reliant on the Group for financial support, the Director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Director considers that the funding will be forthcoming and therefore the going concern basis of preparation is deemed appropriate.

However, as the Company is reliant on the Group for financial support and the Group consolidated financial statements included a material uncertainty related to going concern which would have a direct impact on the Group's ability to provide required financial support to the Company, the company may therefore be unable to realise its assets and discharge its liabilities in the ordinary course of business. The Company financial statements do not include adjustments that would result if the Company was unable to continue as a going concern.

DESIRE PETROLEUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.4 Intangible assets

Exploration and evaluation expenditure

The Company applies the successful efforts method of accounting for exploration and evaluation ("E&E") costs, having regard to the requirements of IFRS6 – 'Exploration for and evaluation of mineral resources'.

Expenditure on costs incurred prior to obtaining the legal rights to explore an area, geological and geophysical costs are expensed immediately to the income statement. Once legal rights to explore an area have been obtained all directly attributable E&E costs are initially capitalised in well, field, prospect, or other specific, cost pools as appropriate, pending determination.

Intangible E&E assets related to each cost pool are carried forward until the existence, or otherwise, of commercial reserves have been determined, subject to certain limitations including review for indications of impairment. If commercial reserves have been discovered, the carrying value, after any impairment loss, of the relevant E&E assets, are then reclassified as development and production assets within property plant and equipment. However, if commercial reserves have not been found, the capitalised costs are charged to expense.

Net cash proceeds from any disposal of an intangible E&E asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the income statement.

2.5 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.7 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

DESIRE PETROLEUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.8 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed in the relevant note as is sensitivity analysis as required. The key areas identified and the relevant note are as follows:

Carrying value of intangible exploration and evaluation assets (note 6).

DESIRE PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2021 - \$NIL).

5. Director's remuneration

The director is also a director of Rockhopper Exploration plc, the immediate and ultimate parent undertaking. During the period the director received emoluments through Rockhopper Exploration plc but it is not practicable to allocate this between their services as director of the Company and other Group companies. The director's work is spread across the range of companies within the Group and it can be expected that typically within any given period between 5-10 per cent of their time would be allocated to the Company. Details of emoluments received by the director for their services to the Group are disclosed in the accounts of Rockhopper Exploration plc.

6. Intangible assets

	Exploration and evaluation expenditure \$000
Cost	
Additions - external	105
At 31 December 2022	<u>105</u>
Amortisation	
Impairment charge	105
At 31 December 2022	<u>105</u>
Net book value	
At 31 December 2022	<u><u>-</u></u>
At 31 December 2021	<u><u>-</u></u>

DESIRE PETROLEUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Intangible assets (continued)

Exploration costs associated with the resources which will not be developed as part of the Sea Lion Phase 1 project including amounts in relation to the Company's licenses have been impaired.

This impairment has no impact on the Group's long-term strategy for multiple phases of development in the North Falkland Basin but instead reflects the limited capital which will be invested outside of the Phase 1 project in the near-term. A reversal of the impairment is expected once the Phase 1 project has been sanctioned and investment resumes on the Phase 2 project.

7. Creditors: Amounts falling due within one year

	2022	2021
	\$000	\$000
Amounts owed to group undertakings	4,440	4,335
	4,440	4,335

8. Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is US\$0.1 million (2021: US\$0.1 million).

9. Controlling party

The Company is a wholly owned subsidiary of its ultimate parent undertaking, Rockhopper Exploration plc which includes the Company in its consolidated financial statements. No other group financial statements include the results of the Company. The consolidated financial statements of Rockhopper Exploration plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Group's website www.rockhopperexploration.co.uk.