

# UNLOCKING BRITAIN'S ENERGY POTENTIAL

Annual report and accounts **2014/15**





IGas offers an inclusive and progressive working environment and development opportunities for its employees

//

We aim to have a positive and sustainable impact on the communities and environments in which we operate.

## Who we are

IGas Energy plc is one of Britain's leading onshore oil and gas exploration and production businesses, holding a portfolio of production and exploration assets focused on three regions: the North West, East Midlands and the Weald Basin in Southern England.

The business has more than thirty years' experience of successfully and safely extracting and producing hydrocarbons onshore in the UK. The UK is recognised globally as a leading example for oil and gas industry regulation.



## Creating shared prosperity



We are committed to contributing to Britain's energy independence for generations to come and to driving economic growth in the key regions where we operate.



We work to understand and manage the sensitivities of the environments in which we operate, and our responsibilities to them, throughout the lifecycle of our operations. We are committed to making a positive contribution to the protection of the environment in areas in which we operate and aim to minimise any adverse effects of our operations.



Through our own Community Fund we are committed to directly supporting the communities in which we operate.

## HIGHLIGHTS

30+ years

IGas has more than thirty years' experience of successfully and safely extracting oil and gas onshore in the UK

&gt;100

Sites around the country

US\$285m

Carried work programme

Financial highlights<sup>1,5</sup>

Revenues of £58.2m (2014: £75.9m)

EBITDA<sup>2,6</sup> of £21.6m (2014: £34.2m)

Underlying operating profit<sup>3,6</sup> of £8.6m (2014: £20.3m)

(Loss)/profit before tax of £(18.5)m (2014: £2.3m)

Net cash from operating activities £26.5m (2014: £25.1m)

Net debt<sup>4</sup> of £86.4m (2014: £80.4m)

Cash and cash equivalents at 31 March 2015 were £19.0m (2014: £28.3m)

Net assets of £146.6m (2014: £74.3m)

## Operating highlights

Production in the year was 999,003 boe (2014: 1,015,866 boe), representing an average of 2,737 boepd (2014: 2,783 boepd)

Dart Energy Limited ("Dart") acquisition completed in October 2014 – consideration of £67.4m was financed by issuing 89,997,626 ordinary shares

INEOS Upstream Limited ("INEOS") farm-out completed (post Balance Sheet date) – £30m cash consideration in May 2015. Cash on the Balance Sheet as at 31 May 2015 of £46.4m

Combined carried gross work programme of up to US\$285m from our farm-in partners – Total E&P UK Limited ("Total"), GDF Suez E&P UK Limited ("GDF") and INEOS

Successful well drilled at Ellesmere Port – Total Organic Carbon ("TOC") averaging greater than 2.0%

Bond buy back in the period with a face value of US\$15.7m

Net back per boe on a profit and loss basis (post hedging) was US\$45.5/bbl in the period (2014: US\$53.1/bbl) impacted by the drop in oil price

Board changes – Stephen Bowler appointed CEO and CFO search in progress



[www.igasplc.com](http://www.igasplc.com)



Watch our corporate video  
[www.igasplc.com/what-we-do](http://www.igasplc.com/what-we-do)



Head to our Twitter for the latest news from IGas  
[twitter.com/igasenergy](https://twitter.com/igasenergy)

## Outlook

Net operating costs and S,G&A charges reduced to below US\$40/bbl for the year to 31 March 2016, excluding reorganisation costs (2015: US\$48.6/bbl)

Looking to maintaining production c.2,750 boepd for 2015/16 through a number of initiatives

- Side-tracks, water injection pilots, gas monetisation and digital oilfield

Appraisal assets

- Combined carried gross work programme of up to US\$285m from our farm-in partners
- Working with partners to execute five year integrated development plan
- Focus on early commercialisation

630,000 barrels hedged in the period 1 July 2015 to September 2016 – downside protection ranging from US\$55 to US\$84 per barrel and at an average of c.US\$67 per barrel

14<sup>th</sup> Licensing round results due to be announced

## Notes

<sup>1</sup> On 16 October 2014 the Company completed the acquisition of Dart Energy Limited ("Dart") and therefore the 2015 results reflect approximately five months' contribution from Dart.

<sup>2</sup> EBITDA relates to earnings before net finance costs (£12.5m) (2014: £12.5m), tax credit (£23.8m) (2014: tax charge £10.3m), depletion, depreciation and amortisation (£13.0m) (2014: £14.1m), acquisition costs (£0.9m) (2014: £nil), impairment of oil and gas assets (£3.9m) (2014: £nil) and relinquishment and impairment of exploration and evaluation assets (£15.4m) (2014: £3.3m).

<sup>3</sup> Underlying operating profit excludes gains on oil price derivatives (£7.0m) (2014: £2.1m loss), charges under share based payments £1.5m (2014: £0.5m), acquisition costs (£0.9m) (2014: £nil), impairment of oil and gas assets (£3.9m) (2014: £nil) and relinquishment and impairment of exploration and evaluation assets (£15.4m) (2014: £3.3m).

<sup>4</sup> Net debt is borrowings less cash and restricted cash.

<sup>5</sup> On 6 December 2013 the Company completed the acquisition of Caithness Oil Limited and therefore the 2014 results reflect approximately four months' contribution from Caithness Oil Limited.

<sup>6</sup> EBITDA and underlying operating profit are considered by the Company to be useful additional measures to help understand underlying performance.



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**Engaged and Committed**

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## AT A GLANCE



IGas is committed to playing an active role in developing the onshore supply chain and delivery mechanisms to support the growth opportunity of shale gas.

IGas is a British business focused on appraisal, development and production in the United Kingdom. We currently operate 30 conventional fields with over 100 producing wells.

We have a significant position in unconventional assets covering all major basins and we operate on behalf of Total, GDF and INEOS, with a gross carried work programme of up to US\$285m, to unlock the shale gas potential across the North West and East Midlands.



## Strategy and Business Model

Our strategy is aimed at building a material onshore energy company in Britain in collaboration with the communities in which we operate. We believe that supporting and sustaining these communities is fundamental to delivering more domestic production.





## MARKETPLACE

### Industry overview

The global oversupply of oil has seen prices fall dramatically in the latter half of 2014, reducing profitability for the industry in the short term and leading to reduced capital expenditure and cost reductions across the industry.

Gas prices however have proved more resilient, not just for structural reasons but because there has been higher year-on-year demand, concerns over North Sea supply and heightened tension between Ukraine and Russia.

Gas will continue to play a central role as energy markets evolve, not least with gas being used to provide over a third of current UK electricity production, to heat 84% of UK homes<sup>1</sup>, and is used by industry for both power and as a primary ingredient for everyday goods such as plastics, textiles and fertilisers. With gas producing approximately half the greenhouse gas footprint of coal, it also has the potential to significantly reduce UK greenhouse gas emissions, as it already has in the USA, and support the UK in the move towards a low carbon system by acting as a bridging fuel between coal and low-carbon technologies.

The UK is becoming increasingly dependent on imports as North Sea production declines. In fact it is projected by the Department of Energy and Climate Change that within 10 years the UK will be reliant on imports for over 70% of total UK gas consumption<sup>2</sup>. UK shale has the potential to make up a significant proportion, if not the totality of our gas requirements going forward. This would give the UK energy security for the first time in many years.

As EY highlighted in their study – Getting Ready for UK Shale Gas<sup>3</sup> – the potential reward to the UK in terms of jobs and manufacturing in the supply chain is significant. It's not only about job creation, it is also about protecting the 500,000 direct and indirect jobs in the chemicals industry, by securing competitively priced energy and raw materials, and creating a more globally competitive manufacturing sector.

In Britain, we have a potential shale resource with a greater density per square mile than that of the US, leading to fewer pads and surface impact to develop it. We have higher gas prices, ready access to gas transportation infrastructure and a clear and robust regulatory environment. We also have the advantage of building on the experience and expertise of the US operators and creating a highly efficient industry as technologies continue to develop apace.

The Bowland Shale is potentially highly prospective, not just in terms of recoverable gas but the positive impact on jobs and the economy, plus the clear benefits in terms of security of supply and the decarbonising effect of locally sourced gas.



### Total UK onshore production

Onshore in Britain, there are around 120 sites across the country producing on average 22,000 barrels of oil a day and approximately 250,000 barrels of produced water being disposed of safely, under permits from the Environment Agency and the Scottish Environmental Protection Agency ("SEPA")<sup>1</sup>.

# 22,000

Barrels of oil a day produced onshore in Britain

# 250,000

Barrels of water a day disposed of safely in Britain

<sup>1</sup> Source: [www.ukoog.org.uk/images/ukoog/pdfs/UKOOG\\_Annual\\_Report\\_2014.pdf](http://www.ukoog.org.uk/images/ukoog/pdfs/UKOOG_Annual_Report_2014.pdf).

<sup>2</sup> Figure calculated using: [www.gov.uk/oil-and-gas-uk-field-data](http://www.gov.uk/oil-and-gas-uk-field-data).

<sup>3</sup> Source: EY "Getting ready for UK shale gas Report" commissioned by UKOOG (April 2014): [www.ukoog.org.uk/images/ukoog/pdfs/Getting\\_ready\\_for\\_UK\\_shale2\\_gas\\_FINAL2022.04.14.pdf](http://www.ukoog.org.uk/images/ukoog/pdfs/Getting_ready_for_UK_shale2_gas_FINAL2022.04.14.pdf).



## Political and regulatory review

A range of political and policy developments connected to UK onshore exploration and production progressed during the year.



The Infrastructure Act 2015 brings the industry into line with other essential services which have similar rights of underground access.

The first of these, announced in the 2014 Budget, was a welcome Government commitment to provide clarity on the onshore oil and gas tax regime and to work with the oil and gas industry to ensure that the UK has the right skills and supply chain in place to benefit from the country's oil and gas reserves.

In April, the House of Lords Economic Affairs Select Committee published the *Economic Impact on UK Energy Policy of Shale Gas and Oil*<sup>1</sup>. In their report, the Committee recognised the massive potential for shale gas and its role in improving energy security, creating a bridge fuel toward renewables, reducing our reliance on coal and supporting industries that rely on gas as a feedstock.

This acknowledgment of the essential role played by natural gas in the UK was echoed by the Welsh Affairs Committee's report, *Energy generation in Wales: Shale Gas*<sup>2</sup>, in June, which identified that natural gas produced in the UK is important not only for electricity production, but also for domestic heating, cooking and industrial production and the Committee considers it to be vital that the UK identifies new sources of gas if it is to safeguard the UK's security of supply.

Following that, and perhaps the most significant policy development during the period was the revision to the law relating to land access. This began with a consultation in May and was closely followed by a commitment to introduce a Bill in the Queen's Speech. Receiving Royal Assent in February 2015, the Infrastructure Act 2015<sup>3</sup> now means that laws relating to trespass

no longer apply to land deeper than 300 metres where a company had obtained an automatic right of access and was in compliance with any conditions attached to that right. This legislative change brought the onshore oil and gas industry into line with a range of other essential services such as water and sewage, and provided the industry legal clarity in relation to trespass and land access.

The Infrastructure Act 2015 also enshrined in law industry best practice and provided additional clarification of the regulatory framework. As a result, the UK's stringent regulatory system was further strengthened, reaffirming it as one of the most comprehensive in the world.

<sup>1</sup> Source: [www.publications.parliament.uk/pa/ld201314/ldselect/ldeconaf/172/17202.htm](http://www.publications.parliament.uk/pa/ld201314/ldselect/ldeconaf/172/17202.htm).

<sup>2</sup> Source: [www.publications.parliament.uk/pa/cm201415/cmselect/cmwelaf/284/28402.htm](http://www.publications.parliament.uk/pa/cm201415/cmselect/cmwelaf/284/28402.htm).

<sup>3</sup> Source: [www.legislation.gov.uk/ukpga/2015/7/contents/enacted/data.htm](http://www.legislation.gov.uk/ukpga/2015/7/contents/enacted/data.htm).

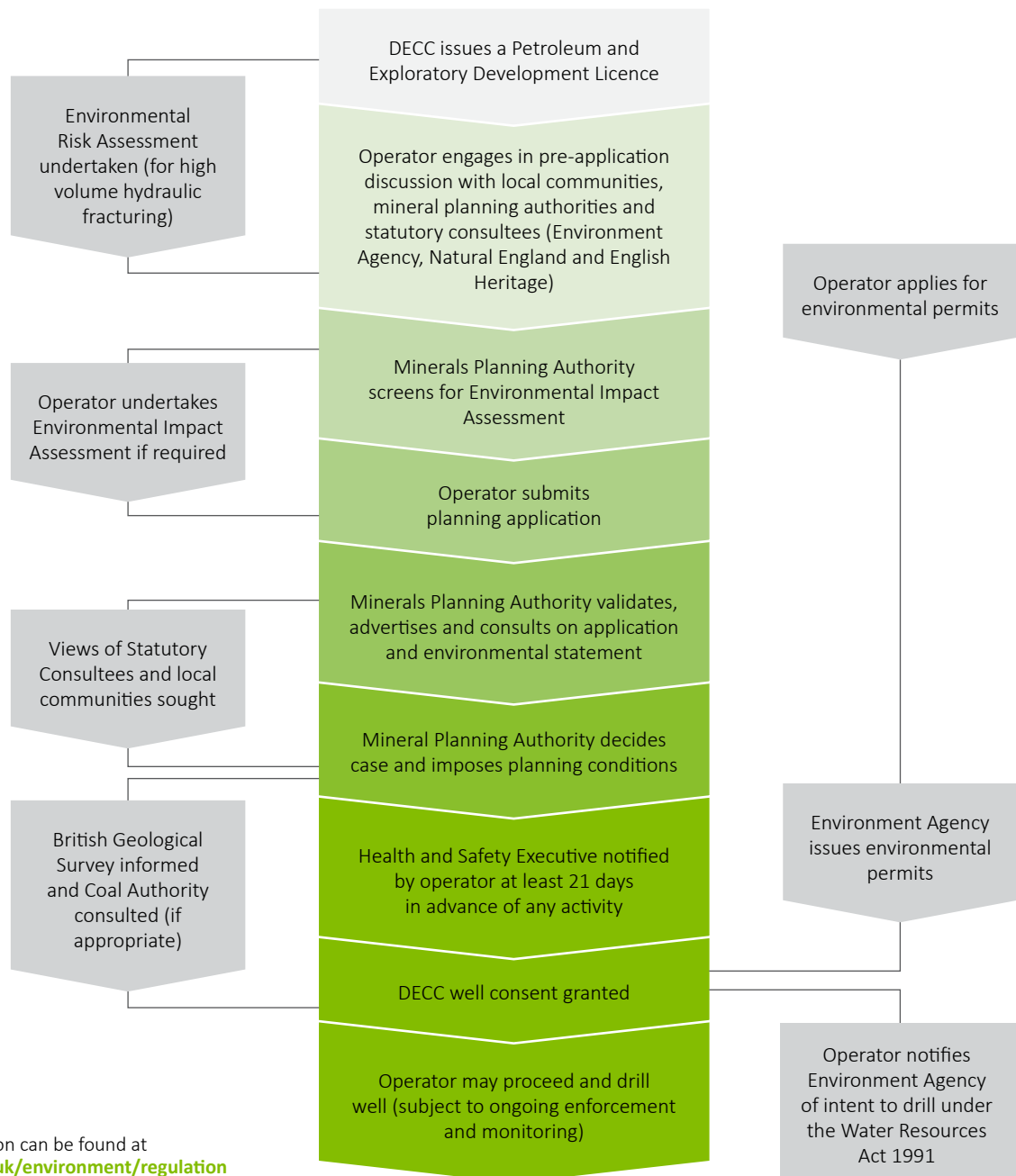
## MARKETPLACE CONTINUED

## Our regulatory environment

Britain is recognised globally as a leading example for oil and gas industry regulation.

### Who regulates the onshore oil and gas industry?

We are regulated by a number of statutory bodies, including the Environment Agency ("EA") in England, the Scottish Environment Protection Agency ("SEPA") in Scotland and Natural Resources Wales ("NRW") in Wales, the Health and Safety Executive ("HSE") and the Department of Energy and Climate Change ("DECC").



Further information can be found at  
[www.ukoog.org.uk/environment/regulation](http://www.ukoog.org.uk/environment/regulation)



## A safe solution

If safely and economically extracted, shale gas can develop a new onshore gas industry, which provides local employment and ensures a security of supply for the UK<sup>1</sup>.

Throughout our operations, robust safety measures are in place to protect the environment. Transparency and environmental responsibility are essential to the success of the industry.

The industry is committed to best practice and has introduced its own guidelines across a number of areas. In January 2015, United Kingdom Onshore Oil and Gas ("UKOOG") published guidelines for the establishment of environmental baselines. The guidelines set out requirements for monitoring, sampling, testing and scientific analysis to establish environmental baselines before operations commence. IGas puts in place monitoring pre, during and post operations, the results of which are publicly available on our [www.igas-engage.co.uk](http://www.igas-engage.co.uk) website.

Whilst there may be some concerns over the process of hydraulic fracturing it is important to remember that this activity has been taking place safely and responsibly for decades.

A recent five year study of over 38,000 wells by the US Environmental Protection Agency found no evidence that hydraulic fracturing has "led to widespread, systemic impacts on drinking water resources in the United States<sup>2</sup>."

There are a number of existing reports and studies by Public Health England, the Royal Society and many other responsible bodies that conclude that the risks from hydraulic fracturing including water, seismicity and fugitive emissions can be managed in a properly regulated regime.

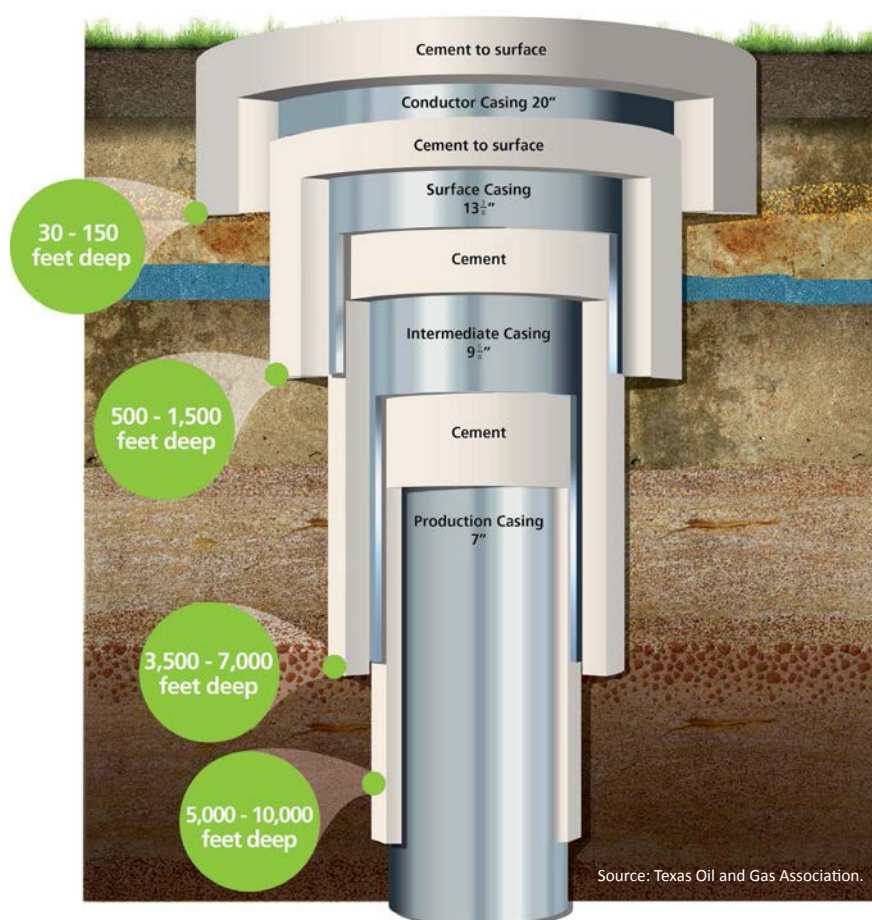
Key to the protection of the environment is well design. Regulations enforced by the HSE require an independent well examiner to assess the design, construction and maintenance of the well<sup>3</sup>.

The main UK legal regulations covering well design, construction and decommissioning are:

- Offshore Installations and Wells (Design and Construction etc.) Regulations 1996 ("DCR")
- Borehole Sites & Operations Regulations 1995 ("BSOR")
- Dangerous Substances and Explosive Atmospheres Regulations 2002 ("DSEAR")
- Provision and Use of Work Equipment Regulations 1998 ("PUWER")

For further information on the regulation and management of water, seismicity and emissions visit:

[www.ukoog.org.uk](http://www.ukoog.org.uk),  
[www.talkaboutshale.com](http://www.talkaboutshale.com),  
[www.igas-engage.co.uk](http://www.igas-engage.co.uk), and  
[www.ciwem.org/media/1023221/Shale%20Gas%20and%20Water%20WEB.pdf](http://www.ciwem.org/media/1023221/Shale%20Gas%20and%20Water%20WEB.pdf)



▲ Well integrity is achieved by cementing steel pipes in place, known as casings, to provide a multi-layered barrier to protect fresh water aquifers.

<sup>1</sup> Source: EY "Getting ready for UK shale gas Report" commissioned by UKOOG (April 2014): [www.ukoog.org.uk/images/ukoog/pdfs/Getting\\_ready\\_for\\_UK\\_shale2\\_gas\\_FINAL2022.04.14.pdf](http://www.ukoog.org.uk/images/ukoog/pdfs/Getting_ready_for_UK_shale2_gas_FINAL2022.04.14.pdf).

<sup>2</sup> Source: EPA Assessment of the Potential Impacts of Hydraulic Fracturing for Oil and Gas on Drinking Water Resources.

<sup>3</sup> Source: [www.hse.gov.uk/shale-gas/about.htm](http://www.hse.gov.uk/shale-gas/about.htm).

## SHALE IN CONTEXT

### Why natural gas from shale?

Gas is a vital part of the energy mix. In Britain, 84% of our homes are heated by natural gas<sup>1</sup>. It provides a reliable back-up for intermittent renewable energy, is the lowest carbon fossil fuel and remains more affordable than other fuels apart from coal, which is higher in carbon.



The truth is we are going to be using gas, including shale gas, for a long time to come. Given these facts, we need to honestly consider the moral and environmental issues about transporting gas, including shale gas, across oceans and continents and being increasingly dependent on gas from countries with regulatory and environmental standards lower than ours<sup>2</sup>.

Gary Smith  
GMB National Security

### Uses of natural gas

Natural gas, together with natural gas liquids, is one of the most versatile sources of energy we have, supporting modern life in five main ways.



#### Transport

Compared with diesel, natural gas-powered vehicles emit less CO<sub>2</sub> and fewer harmful air pollutants. Reading now has a fleet of natural gas-powered buses.



#### Electricity

Last year, 27% of the UK's electricity was generated from gas. Gas-fired power stations are able to run continuously, or as flexible back-up for intermittent wind and solar – right now, it's hard to have renewables without gas.



#### Manufacturing feedstock

The UK's chemical industries support 500,000 jobs. Natural gas liquids such as ethane are used as the building blocks for everyday goods such as food packaging, textiles, adhesives and tyres.



#### Heat

In the UK, 84% of homes are heated by gas. Per unit of energy, gas is around a third of the price of electricity.



#### Food production

Nitrogen fertiliser was applied to 75% of all farmland in Great Britain in 2013. Natural gas is one of the main components of ammonia, which is widely used in nitrogen based fertilisers that are needed for food production.

Source: UKOOG Annual Report (January 2014): [www.ukoog.org.uk/images/ukoog/pdfs/UKOOG\\_Annual\\_Report\\_2014.pdf](http://www.ukoog.org.uk/images/ukoog/pdfs/UKOOG_Annual_Report_2014.pdf).

<sup>1</sup> Source: [www.ukoog.org.uk/images/ukoog/pdfs/UKOOG\\_Annual\\_Report\\_2014.pdf](http://www.ukoog.org.uk/images/ukoog/pdfs/UKOOG_Annual_Report_2014.pdf).

<sup>2</sup> Source: [www.gmb.org.uk/newsroom/gmb-ukoog-agreement-on-shale-gas](http://www.gmb.org.uk/newsroom/gmb-ukoog-agreement-on-shale-gas).



# ECONOMIC OPPORTUNITY

Driving economic growth and creating a significant supply chain

20<sub>m</sub>

Shale gas production at peak could be equivalent to heating 20 million homes<sup>1</sup>

£20.5<sub>bn</sub>

Estimated spend on hydraulic fracturing between 2016 and 2032<sup>1</sup>

In addition to achieving future energy security, there are a number of significant economic benefits of developing Britain's onshore oil and gas industry.

500,000

Number of direct and indirect jobs that shale gas will help to protect, sustain and grow in the UK chemical industry<sup>2</sup>

£33<sub>bn</sub>

Estimated spend to bring UK shale wells into production between 2016 and 2032<sup>1</sup>

64,000

Estimated number of jobs – direct and indirect – at peak production<sup>1</sup>

<sup>1</sup> Source: [www.ey.com/Publication/vwLUAssets/Getting\\_ready\\_for\\_UK\\_shale\\_gas/\\$FILE/EY-Getting-ready-for-UK-shale-gas-April-2014.pdf](http://www.ey.com/Publication/vwLUAssets/Getting_ready_for_UK_shale_gas/$FILE/EY-Getting-ready-for-UK-shale-gas-April-2014.pdf).

<sup>2</sup> Source: [www.cia.org.uk/Portals/0/shale%20gas%20policy%202014.pdf](http://www.cia.org.uk/Portals/0/shale%20gas%20policy%202014.pdf).

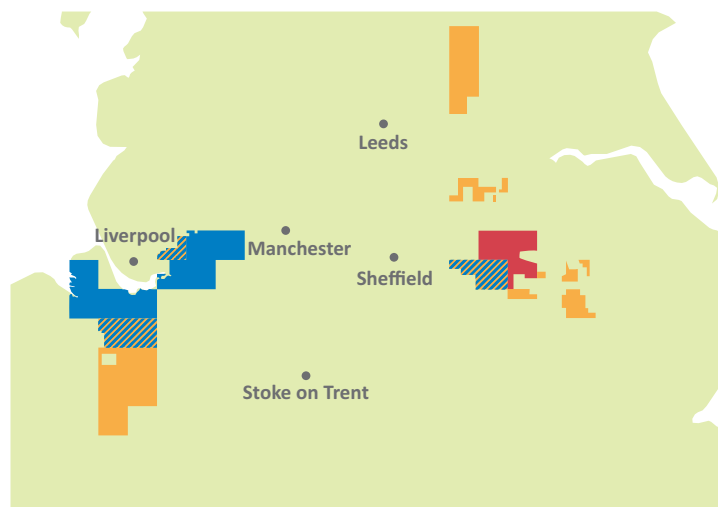
## AREAS OF OPERATION

# MAINTAINING OUR PACE

We develop and produce gas and oil resources and reserves at onshore locations in the North West of England, the East Midlands, the Weald Basin in Southern England and the northern coastal area of the Inner Moray Firth in Scotland.



## Carried Work Programme Licences

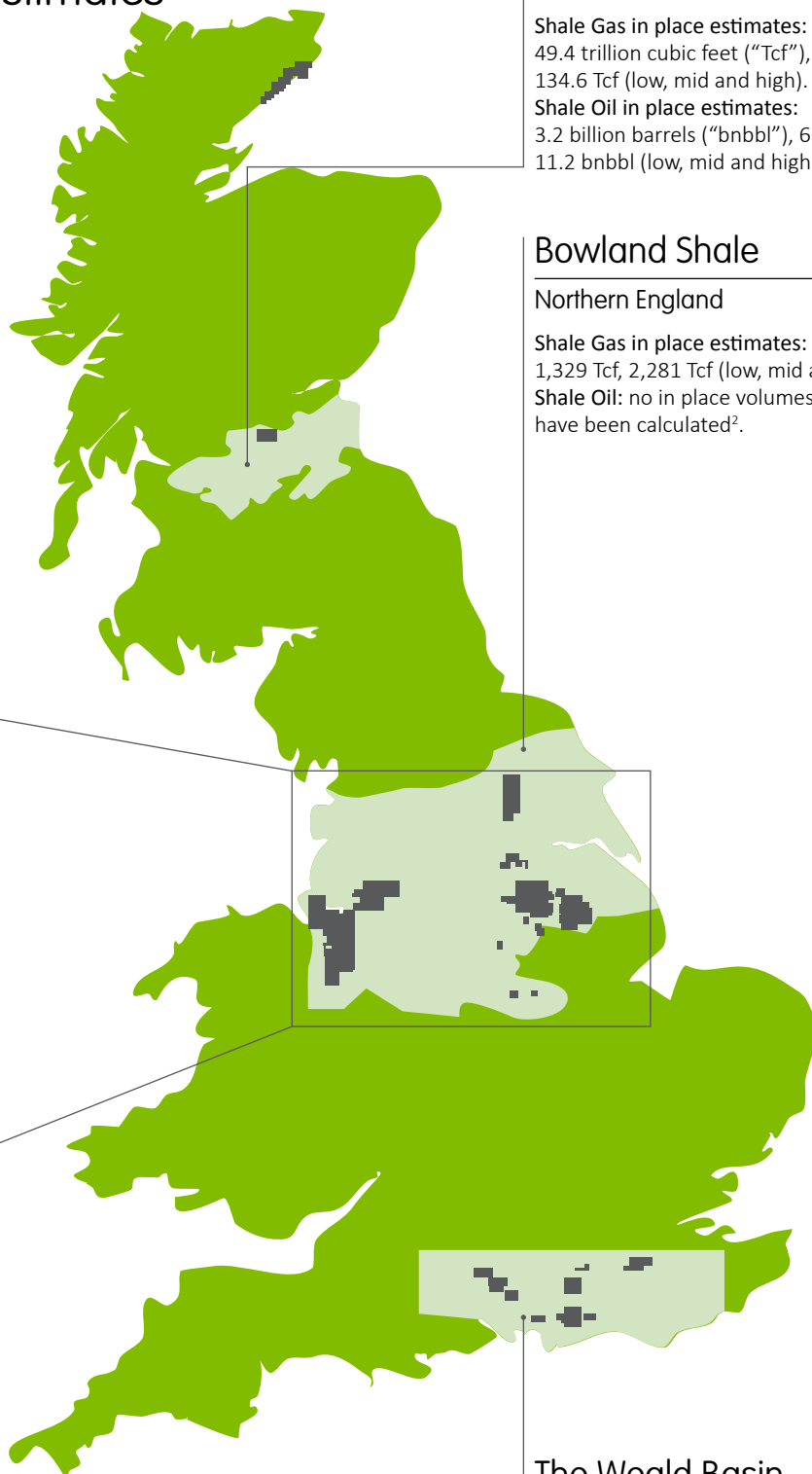


### Partners





## UK Shale resource potential BGS Estimates



### Midland Valley

#### Scotland

**Shale Gas in place estimates:**  
49.4 trillion cubic feet ("Tcf"), 80.3 Tcf,  
134.6 Tcf (low, mid and high).

**Shale Oil in place estimates:**  
3.2 billion barrels ("bnbbl"), 6.0 bnbbl,  
11.2 bnbbl (low, mid and high)<sup>1</sup>.

### Bowland Shale

#### Northern England

**Shale Gas in place estimates:** 822 Tcf,  
1,329 Tcf, 2,281 Tcf (low, mid and high).

**Shale Oil:** no in place volumes for shale oil  
have been calculated<sup>2</sup>.

### The Weald Basin

#### Southern England

**Shale Gas in place estimates:**  
no significant gas resource. Shales have  
not reached gas maturity.

**Shale Oil in place estimates:**  
2.20 bnbbl, 4.4 bnbbl, 8.57 bnbbl  
(low, mid and high)<sup>3</sup>.

<sup>1</sup> BGS, June 2014.

<sup>2</sup> BGS, July 2013.

<sup>3</sup> BGS, May 2014.

## SHALE GAS – FROM EXPLORATION TO PRODUCTION SCHEMATIC – PROJECTED TIMELINE\*

### EXPLORATION

We acquire and interpret seismic and geophysical data to assess the geological structure. We drill exploration wells to determine the size, quality and extent of the geological play.

### APPRAISAL/FLOW TEST

The next stage is designed to acquire further data (logs/cores/geomechanical/etc.) to refine estimates and understanding with a view to designing suitable hydraulic fracture programmes.

### Proof of concept



\*All timings based on planning consent, as per existing legislation.

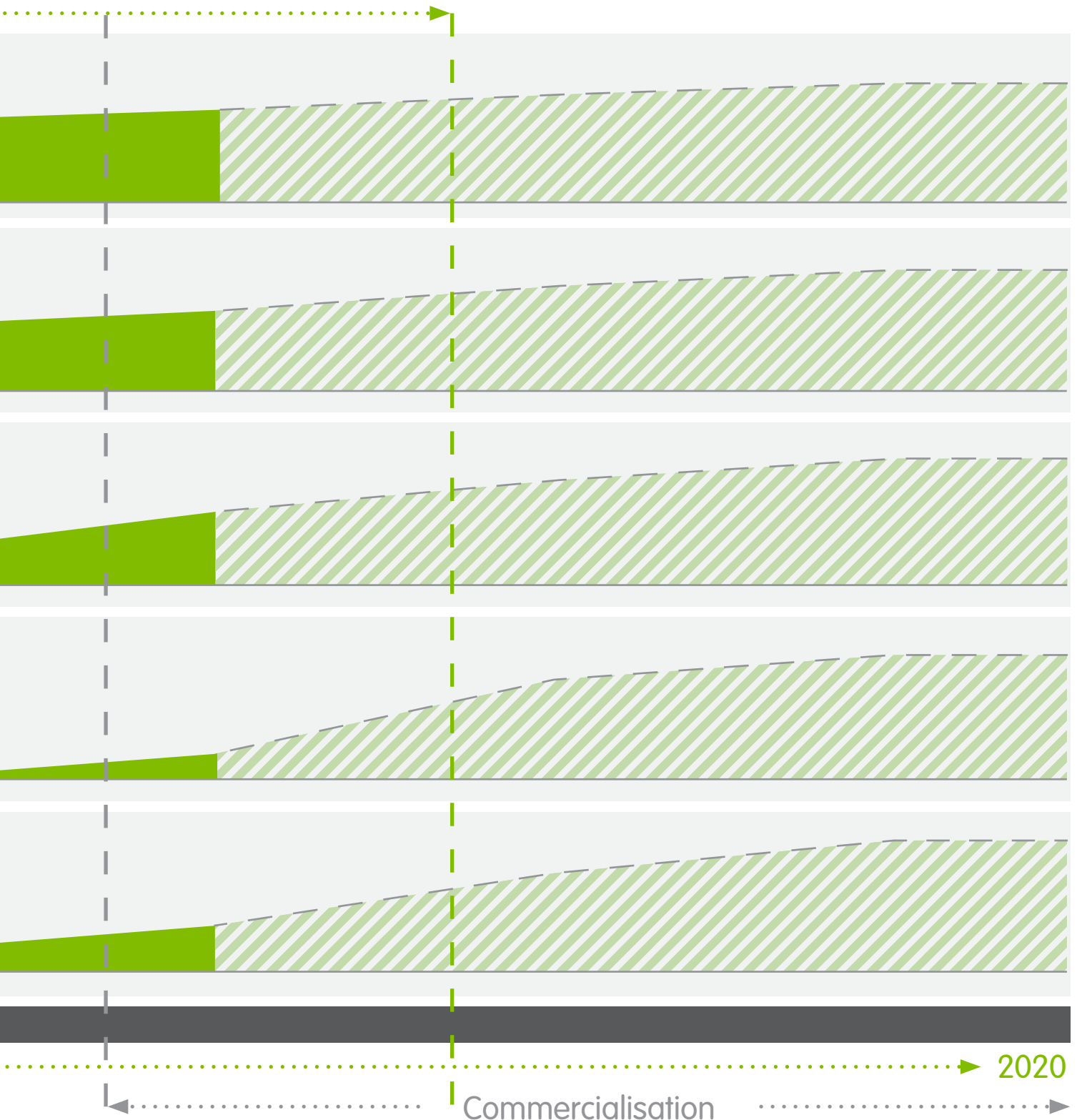


## PILOT PRODUCTION

The appraisal wells are hydraulically fractured and flow tested to assess gas quality and flow rates helping to establish commercial potential.

## PRODUCTION

Successful developments should be executed in the most cost-effective way, and to the highest safety standards, and with regard for the environment and local communities that may be affected.



## DAY IN THE LIFE OF DAN WILDING, WELL SERVICES SUPERVISOR

# A DAY ON THE WELL



08:00

## HEALTH AND SAFETY

The day begins with a pre-job safety meeting or “Tool Box Talk” to discuss the day’s work schedule which can include anything from hot washing a waxy well, to retrieving a seized insert pump on a beam pump well. This will include completing an IGas Permit to Work (PTW) and any supplementary paperwork. All work taking place on an IGas site requires a PTW, this allows us to control what and how work takes place.

We cross reference work instructions and risk assessments with the day’s work schedule, making sure that all aspects are covered and any potential hazards can be addressed such as working at height or moving heavy machinery.

We’ll then discuss each stage of the job, allowing us to consider each step of the work instruction and any problems that could be encountered and ensure that everyone is aware of their responsibilities.



08:30

## MAINTENANCE OF EQUIPMENT

Within well services we use a range of safety critical equipment. This can include high pressure testing equipment to lifting equipment for allowing the team to work in a confined space.

All of this equipment is inspected daily prior to its use. Test pumps, hoses and fittings are all pressure tested prior to being used on our wells.

Lifting equipment is subject to an annual inspection by a third party, but it is important the team inspect every item before its use, which is all part of the HSE process.



09:00

## WELL INTEGRITY

During the next few hours, I’ll supervise well head valve pressure testing and maintenance, making sure all pressure testing and confined space entry equipment has been correctly tested prior to use. We carry this out to ensure we’re able to maintain well integrity, should the well need to be shut in.

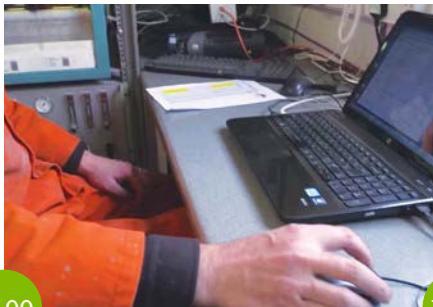
We check each well’s tubing head and annulus pressures are normal and that the integrity of the well is intact.





## Dan Wilding Well Services Supervisor

**Name:** Dan Wilding  
**Age:** 31  
**From:** Southampton  
**Joined:** 2006



12:00

## RECORDING INFORMATION

Upon completion of well testing, I will update the "SafeWells" reporting system with the relevant valve integrity information. This gives us an easily accessible record of all tests that are carried out, should we need to refer to them at a later date.



14:00

## WELL OPTIMISATION

My team works closely with the IGas Reservoir and Production engineers, to find out ways of optimising our wells, to get maximum production whilst minimising energy consumption.

This may involve analysing data, well test figures and surface pressures/rates to determine the current pumping characteristics of the well.

This allows me to liaise with the production superintendents to discuss how I plan to rectify any problems encountered, in the most time and cost efficient manner.



16:00

## SITE INSPECTION

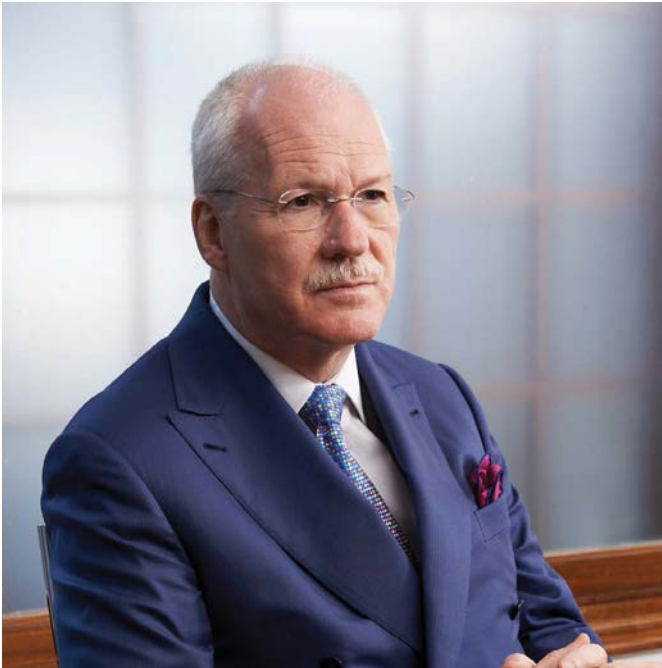
At the end of each day, it is important that the sites are left as we found them; clean and tidy. Once our day's work is complete, we carry out an inspection of the work area, ensuring that this is the case.

Good housekeeping reduces the risk of slips, trips and falls and also ensures we minimise any impacts on the environment, on and around our sites.





## CHAIRMAN'S STATEMENT



The year was marked by two significant deals, the acquisition of Dart and the farm-out agreement with chemicals giant INEOS, further underpinning the quality and significant potential of our licences.

Francis Eugen  
Non-Executive Chairman

The last year has been turbulent one for the industry with the oil price dropping from a peak of US\$115/bbl in mid-2014 to approximately US\$55/bbl at our financial year end.

We responded to this changing oil price environment by taking the tough, but necessary, measures to reduce the costs of running our business, without compromising the safety, commitment to the environment or performance of our operations. These measures will reduce our net operating costs and S,G&A charges to below US\$40/bbl for the year to 31 March 2016, excluding reorganisation costs.

The year has also been marked by two significant transactions, the acquisition of Dart and the announcement of the farm-out agreement with chemicals giant INEOS. Through these transactions – which further underscore the quality and significant potential of our licences – we have increased our acreage in key basins, strengthened our Balance Sheet and boosted the total gross funds available, to exploit our shale acreage, from farm-in partners to up to US\$285m.

Despite the oil price fall, this year's achievements mean that IGas is now better positioned to deliver value through the discovery and development of hydrocarbons onshore in Britain, particularly from shale, and to do so in a safe, secure and environmentally and socially responsible manner.

Corporate responsibility is at the core of our business and is based on building respect, fostering relationships and acting responsibly. During the year we have continued to invest in this key area of the business and strive for continuous improvement in listening and sharing information and knowledge about our industry, whilst continuing to innovate.

### Operational Review

We benefitted from strong cash flows throughout the year, initially from selling oil at high prices and later in the year from our rolling hedging programme. Production in the year averaged 2,737 boepd (net) (2013/2014: 2,783 boepd) and was underpinned by our "Chase the Barrels" initiative which has included pilot water injection schemes, implementation of the "digital oilfield" and various workovers.

In this report we set out the route to early shale gas production alongside the commitment from our existing partners Total, GDF and INEOS. We are working closely with our partners to optimise a five year integrated development plan for the carried work programme across the North West and East Midlands to include seismic acquisition, multi-well drilling, hydraulic fracturing; and earliest possible commercialisation.

The passing of the Infrastructure Act 2015 in February this year gave welcome clarity with respect to land access rights and trespass, and enshrines in law, industry best practice. We now await publication of the Secondary Legislation associated with this Act which will give further clarity around several related aspects, including baseline monitoring which, under existing legislation, must be carried out for 12 months prior to any hydraulic fracturing taking place.

A key element to achieving early commercialisation of shale gas is obtaining timely planning permissions and relevant permits. We work hard to ensure that we deliver comprehensive and considered applications that take into account potential effects on the environment and the community and how we can manage our development and operations to ensure these effects are minimised to levels and standards that can be approved.

### People

In these challenging times we are, more than ever, reliant upon the talents, enthusiasm and continued commitment of our people. I have been impressed by the way in which the whole organisation, led by the Executive team, has moved quickly to refocus and streamline the business.

On 8 May 2015, I was pleased to announce that Stephen Bowler, our former Chief Financial Officer, accepted the role of Chief Executive Officer replacing Andrew Austin. On behalf of the Board, I would like to thank Andrew for his diligent commitment over the years and wish him well for the future. In addition, in keeping with the cost reduction measures we have taken, the Board of IGas and Rob Neale, the former Chairman of Dart, have agreed that he will not be joining the main Board.

### Outlook

The extensive industrial base located across much of our acreage, continues to use substantial amounts of gas, not only as a main source of power but directly to produce products such as chemicals, glass and fertilisers. These industries provide substantial employment in the local areas and beyond.

The chemical industry alone in the UK employs over 500,000 people directly and indirectly<sup>1</sup>. However, some of these activities face a real threat from the success of the shale industry in the United States, which, because the US industry now enjoys substantially cheaper and more secure supplies than the UK, has led to major substantial investment in new chemical plants in the US, and thereby increased global competition.

Lower oil prices have the potential to further affect North Sea oil and gas supply and therefore further increase our dependency on other countries for our gas. Within 10 years, the UK will be dependent on foreign imports for nearly 70% of its gas<sup>2</sup>. These imports will provide little in the way of jobs or taxes, will substantially increase the geopolitical risks, have a higher carbon footprint than domestic supply, as well as increase price volatility for all.

Shale gas has the potential to provide a real alternative, it could create many jobs, provide taxes and business rates to local councils and also substantial benefits to local communities.

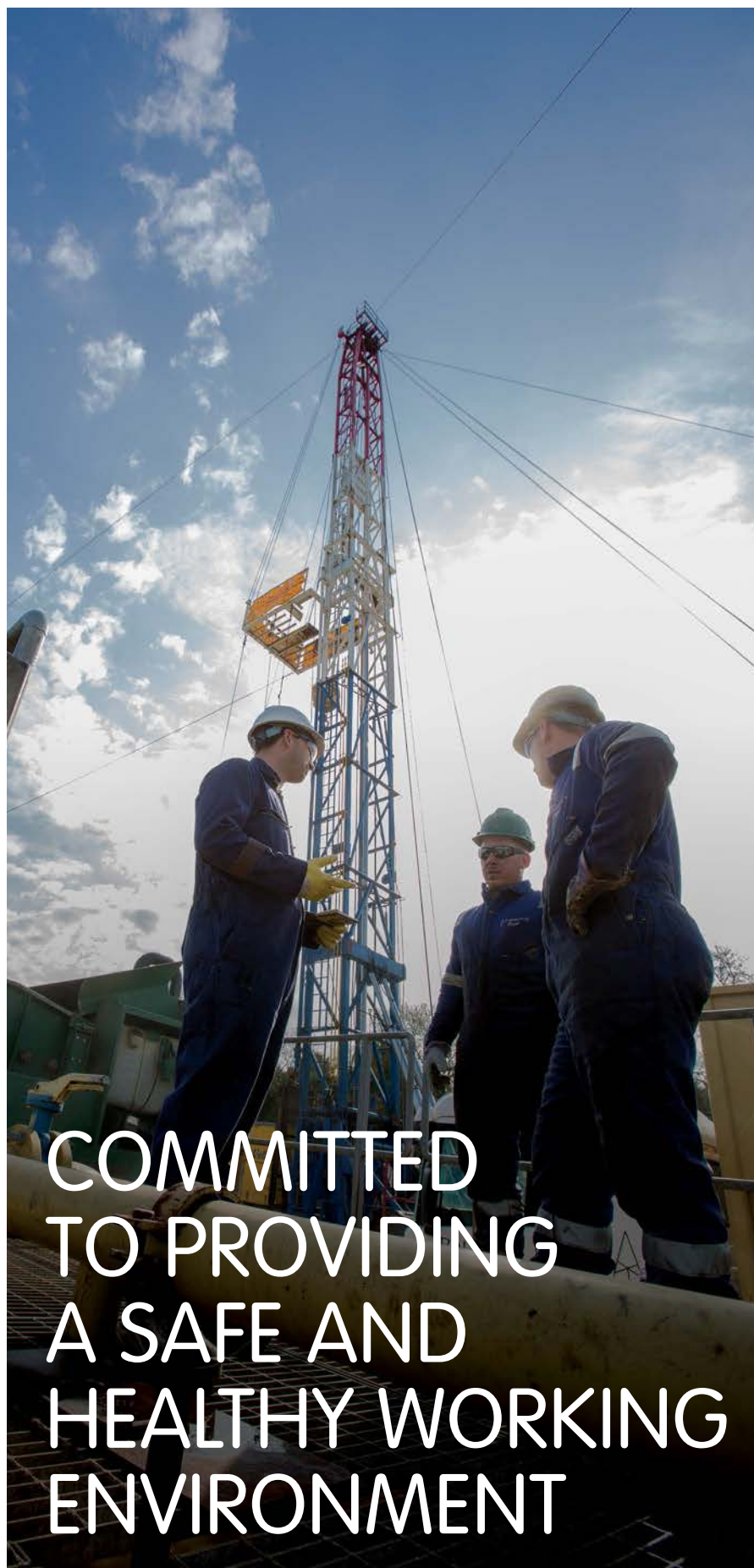
I believe the steps we have taken this year, and the transactions we have successfully completed, have positioned the Company to grow further over the coming years – even in a prolonged lower oil price environment. Our focus remains on maximising cash flow from our existing producing assets and advancing our portfolio of highly prospective shale resources for the benefit of our stakeholders.

**Francis Gugen**

Non-Executive Chairman

<sup>1</sup> Source: [www.cia.org.uk/Portals/0/shale%20gas%20policy%202014.pdf](http://www.cia.org.uk/Portals/0/shale%20gas%20policy%202014.pdf).

<sup>2</sup> Figure calculated using: [www.gov.uk/oil-and-gas-uk-field-data](http://www.gov.uk/oil-and-gas-uk-field-data).



Q&amp;A WITH JACK PARKER, APPRENTICE ELECTRICIAN

# INVESTING IN OUR FUTURE

## Q&A

### *What is your current role; tell us what you do on a day to day basis?*

My current role is an Apprentice Electrician. I work alongside my mentor or other contractors and engineers. During the past three years, I have been involved in complete site re-wires, maintenance of electrical equipment and apparatus, low voltage and high voltage jointing, and switch gear installation.

### *What level apprenticeship are you?*

I am in my final year of my City and Guilds 2330 Electrotechnical Training Level 3 apprenticeship.

### *What is your favourite part about the job? Tell us your highlights?*

I can be working in a field laying a cable one day, maintaining electrical systems the next. Everyday has a new challenge and that keeps the job exciting and interesting for me.

### *Why did you decide to do an apprenticeship?*

Gaining workplace skills and qualifications whilst earning a wage, appealed to me. There is also the possibility of being offered a job at the end of the training.

### *How did you hear about the apprenticeship?*

I was attending college, undergoing a mechanical apprenticeship for a different company but the company I was working for was going into liquidation and I was being made redundant. During this time, IGas had approached the college looking for apprentices and I decided to apply.

### *What appealed to you about working for IGas?*

I was interested in working in an electrical engineering environment and working for an oil and gas company has always been a dream, getting an apprenticeship at IGas was the dream coming true.

### *How do you see your role developing? Are there opportunities to develop?*

After my apprenticeship I should become a qualified electrician and I hope to continue working at IGas.

In the future, I'd like to become an electrical engineer, planning the electrical jobs and managing apprentices; teaching them what I've learned.

I will continue to do any training that is available and use this to excel in my job.

### *What is the culture like at IGas?*

The best part of the IGas culture is the positive interaction we have with the local community around our sites. IGas put a lot back into the community which makes me proud to work for them.

### *What training do you receive?*

As well as all my "on the job training", I attend college one day a week for installation and maintenance training. That's learning about building regulations, structures and logical principles.

### *How does your training help with your role?*

It helps out a lot. I learn the basics at college which I'm able to put into practise on the job.

### *How does IGas support your development?*

IGas has sent me on additional training courses to help me progress. Courses have included learning about abrasive wheels, working at heights, and rigging and slinging vehicles such as lorries and cranes. I have also completed a first aid course.

I also have support meetings with my supervisor and apprentice officer.

### *What opportunities does the apprenticeship offer for you to get involved in outside your day to day role?*

Outside of my usual role, I have worked with the control room operators, production staff, mechanical team and well service team. Working with different departments has helped me develop a better understanding of the Company and its day to day operations, making me feel more involved.





Getting an apprenticeship with IGas was the dream coming true.

**Jack Parker**  
Apprentice Electrician

**Name:** Jack Parker  
**Age:** 23  
**From:** Gainsborough  
**Joined:** 2010

Discover more about apprenticeships at:  
[www.gov.uk/apply-apprenticeship](http://www.gov.uk/apply-apprenticeship)



## OPERATING AND FINANCIAL REVIEW



Having implemented the cost savings outlined, and following the completion of the farm-out to INEOS in May, with US\$46.4m of cash on the Balance Sheet as 31 May 2015, the Group is well placed to deliver against its strategy.

**Stephen Bowler**  
Chief Executive Officer

After enjoying a number of years of oil price stability at historically high levels, we are all only too conscious of the sharp decline in the oil price that occurred in the latter part of 2014. We have been quick to respond by undertaking a review of our cost base.

This included working with suppliers to make meaningful savings across the business alongside having to make the difficult decision to reduce the size of our workforce and the number of consultants employed. Overall, there will be headcount reductions of more than 25% including the closure of the former Dart office in Stirling, Scotland.

However, in spite of this difficult backdrop of falling oil prices, IGas remained focused on operational delivery including its work on field life extensions and reserves replacement and the development of its shale position through acquisition and farm-out transactions. In this respect, 2014 was a good year for us.

We completed the acquisition of Dart in October 2014. This acquisition gave us additional acreage of strategic importance in the key UK shale basins and a significant new partner, GDF, with a carried work programme across a number of licences.

In March, we announced a farm-out and purchase agreement with INEOS which completed in May. As a result, INEOS acquired an interest in certain licences in the North West and East Midlands and the Group's participating interest in the acreage held under PEDL 133 in Scotland. The consideration for IGas' participating interests comprised £30m cash and a funded forward work programme of up to £138m (gross), of which

IGas' share to be funded fully by INEOS, is expected to amount to approximately £65m. INEOS will assume operatorship of PEDLs 133, 145 and 193 and EXL 273 in phases, following an orderly handover.

In the last 18 months, through both acquisition and farm-outs, we have further strengthened our financial position and we are now operating on behalf of three major partners – Total, GDF and INEOS with a gross carried work programme of up to US\$285m.

### Operating Review

#### Existing producing assets

We continued to benefit from strong production in the year to 31 March 2015, averaging 2,737 boepd (net) (2013/2014: 2,783 boepd). Our aim is to maintain production at around 2,750 boepd (net) for the next 12 months and we anticipate capital expenditure in that period to be c.£13m. The Company expects cash flow generation (pre financing and post capital expenditure) of c.£12-15m over the 12 month period based on the current forward curve, hedged production and anticipated costs.

As at 31 March 2015, proven and probable (2P) reserves were 12.63m barrels of oil equivalent ("mmboe") (2014: 13.25 mmboe) and contingent resources (2C) were 12.32 mmboe (2014: 10.38 mmboe). These are the Company's own estimates.

#### Optimising our production base

The installation of the pilot water injection project at Gainsborough is now complete and injection has commenced with the aim of assessing the potential of increasing oil recovery from the field. The installation of the Welton pilot water injection scheme consisting of a single injector, was also commissioned (January 2015) and results from these initial pilot schemes will determine whether we extend the programme further in the fields.

Other projects have included a workover and reinstatement of a well at Singleton, in the Weald Basin, resulting in a 6% increase in average daily production at this site. We also continued to roll out the installation of rod pump controllers across the remainder of our fields and are focused on further deployment of our "digital oilfield" initiative with a goal of utilising, wherever appropriate, IT capability to instrument and control the oil fields and gain both cost savings and efficiencies through the deployment of this technology. As well as enhancing performance in the existing mature fields, our experience of applying this technology can be utilised in deploying similar systems to manage the shale developments when they are implemented.

We have begun trialling a wax reduction tool in a number of wells with encouraging results. The benefits include increased well up-time and a reduction in expensive workovers.

## Creating a National College to train the engineers of the future

In November 2014 the Department for Business, Innovation and Skills announced a £1.5m initiative to establish a National College for onshore oil and gas.

Jointly funded by the Department for Business, Innovation and Skills and industry, the college involves a number of leading institutions including the University of Chester's Faculty of Science and Engineering at Thornton Science Park, Redcar and Cleveland College, Highbury College Portsmouth's Centre of Excellence in Construction, Energy & Sustainable Technologies and the University of Strathclyde.

Recognising the potential for skills shortages in the related offshore and chemical industries, the college will deliver training programmes to meet the onshore industry's future skills needs including, drilling and completions; petroleum engineering and geosciences; planning approvals and permitting issuance; and health, safety and environmental monitoring.

Source: [www.gov.uk/government/news/skilling-up-shale-first-national-uk-onshore-oil-and-gas-college-announced](http://www.gov.uk/government/news/skilling-up-shale-first-national-uk-onshore-oil-and-gas-college-announced).  
Source: [www.ukoog.org.uk/about-ukoog/press-releases/137-national-college-for-onshore-oil-and-gas-unveiled](http://www.ukoog.org.uk/about-ukoog/press-releases/137-national-college-for-onshore-oil-and-gas-unveiled).



We continue to advance our gas monetisation projects at Bletchingley (gas to wire), Lybster (potential Compressed Natural Gas ("CNG")) and Albury (Liquefied Natural Gas ("LNG") or CNG).

Applying CNG technology offers attractive savings without unduly affecting project timing. The potential for using mini LNG/CNG technology elsewhere in the portfolio as a means of monetising stranded gas and/or shale gas is something we are actively pursuing and evaluating. There are many uses for LNG/CNG, including use as an alternative road fuel and advanced commercial negotiations are currently under way for the offtake of the LNG/CNG from the sites.

We continue to look at further optimisation and capex reduction initiatives and a number of field development studies are in progress aimed at increasing ultimate recovery and reserves, identifying infill well drilling opportunities and sidetracks of existing wells.

### Appraisal Assets

#### North West

##### Barton Moss Exploration Well

In early November, we announced the results from our Barton Moss exploration well. The well encountered 15 gas bearing coal seams in accordance with the pre-drill prognosis. The well also encountered a Namurian Shale section, consisting of the Sabden Shale and the Upper and Lower Bowland Shales. Approximately 400ft of core was recovered, including from the shale section. The analyses indicate TOC of up to 5.72% with an average of c.1.9%.

The measured permeabilities are comparatively high for the observed porosities when compared with typical US shale plays. The mineralogy of the Bowland Shales in this area is very comparable with key US plays, notably the Marcellus and Fayetteville, when comparing quartz/clay/carbonate content.

The results of the well have helped further refine the existing basin models and verify the earlier preliminary prognosis and these results were employed in our 14<sup>th</sup> licence round applications.

##### Ellesmere Port Exploration Well

Following the successful Ellesmere Port-1 well, completed in December 2014, which encountered over 400m of gas-mature shale, an extensive programme of log and core analysis has been commissioned. The results from the core analysis indicate TOC averaging greater than 2.0% and enhanced porosity and permeability values when compared to the Barton Moss well results. The Ellesmere Port-1 well results, combined with those from Barton Moss and Ince Marshes, are being utilised to drive the next phase in the basin appraisal programme and specifically to help design future hydraulic fracturing programmes.

##### East Midlands

In the East Midlands, at the Springs Road site within PEDL 139/140, where we operate on behalf of Total, Egdon Resources UK Ltd and eCorp Oil & Gas UK Ltd, we have commenced planning consultations including a Scoping Report prior to the submission of a planning application which we expect to submit in Q3.

The planning application will be for the drilling of two exploratory wells (one vertical and one with a horizontal section). Subject to planning and permitting, we expect to drill the vertical well in H1 2016.

An extensive and comprehensive stakeholder engagement programme associated with this project is underway and we have already held two public exhibitions. Further details can be found at [www.igas-engage.co.uk](http://www.igas-engage.co.uk).

### Five Year Development Plan

We are working with our partners on an integrated five year development plan for the carried work programme across our North West and East Midlands acreage.

We have already completed some of the exploration work through the acquisition and interpretation of seismic and geophysical data to assess the geological structures of some of the licence areas. We will continue to acquire both 2D and 3D seismic, as appropriate, in support of the exploration plans across our acreage.

We have also drilled exploration wells to determine the size, quality and extent of the geological play across the North West, at Ince Marshes, Barton Moss and most recently at Ellesmere Port.

Given this data, we are moving from the exploration to the appraisal stage of gathering data to assess whether or not shale gas can be extracted at commercially viable levels. This next stage will entail further drilling, associated hydraulic fracturing and subsequent flow testing.



## OPERATING AND FINANCIAL REVIEW CONTINUED

This phase will be critical in demonstrating the future development potential of these shale resources.

A prerequisite for any of these operations is to obtain the necessary consents and permits. We are preparing the appropriate documentation and embarking upon the attendant community engagement prior to the submission of the various applications. We will also initiate the associated environmental baseline monitoring regime, in accordance with the prevailing legislation, which must have been in progress for at least 12 months prior to high volume hydraulic fracturing operations being conducted.

When progressing to shale developments, there are a number of elements to consider including regulation, planning and permitting, optimising and advancing technologies and the utilisation of existing infrastructure particularly as we move to the production phase over the coming years. We are already focusing on many of these areas to ensure we are ready for this phase. For example, we are looking at optimising development schemes based on multi-pad drilling; which has numerous advantages including reducing the surface impact of the operation.

In conjunction with specialists, we are developing technologies to assist shale development such as pilot water recycling trials and mini CNG. The efficient recycling of water has several advantages including reduced water use, fewer vehicle movements and an overall cost reduction. Mini CNG offers a solution to the early monetisation of gas, particularly during the pilot development phase, i.e. prior to the installation of the permanent facilities. The mini CNG plants would be modular and therefore could be re-deployed to new sites when the permanent facilities are commissioned. This will help reduce the need for flaring as well as providing a carbon benefit, for example, CNG can be used for fuelling HGVs.

We are also working with other businesses and energy intensive industries to build a supply chain capable of supporting the shale industry. With the advent of such initiatives as the Atlantic Gateway in the North West and the "Northern Powerhouse" concept we are also engaging with stakeholders to integrate shale into the potential regeneration of key areas in the North of England.

### International Assets

We have made excellent progress in disposing of the non-core Dart assets. We have now disposed of, or have signed agreements to dispose of (subject to completion conditions), our assets in a number of countries including Australia and Indonesia and the closure of the former head office in Singapore is complete. Our only remaining investments will then be a minority 10% operated interest in the Assam region of India and one joint operated asset in Kalimantan, Indonesia.

### Political and Regulatory Update

During the year, further progress has been made in developing the regulatory and associated framework to support shale gas development in the UK. The most significant policy development during the year was the revision to the law relating to land access. The Infrastructure Act 2015, which received Royal Assent in February, brings the onshore oil and gas industry into line with a range of other essential services such as water, sewage and coal, and has provided the industry legal clarity in relation to trespass and land access.

The Infrastructure Act 2015 also enshrined in law industry best practice and provided additional clarification of the regulatory framework. As a result, Britain's already stringent regulatory system is further strengthened, reaffirming it as one of the most comprehensive in the world. We are now awaiting publication of the Secondary Legislation associated with the Infrastructure Act 2015 which is currently expected to be introduced by 31 July 2015.

Very recently, the trade union GMB and our industry body UKOOG signed a joint charter in support of the development of shale gas, focusing on safety, skills and supply chain development<sup>1</sup>. Working together they will help build understanding among local communities and further bolster the strong safety and regulatory standards of the sector.

### Health and Safety

Health and safety is of paramount importance to us in providing the highest level of protection to our employees, contractors, visitors, neighbours and the environment. While cost cutting is clearly a focus in the current climate, we will not compromise on the integrity and safety of our operations.

I am delighted that we have been awarded a RoSPA Gold Award for the ninth consecutive year.

### IGas in the Community

IGas is committed to building strong, sustainable relationships and being a good neighbour – we believe it is both fundamental to our success as an operator and an essential part of our everyday operations.

We have now announced the successful recipients of the 2015 round of our IGas Energy Community Fund. This independently administered fund was established to help local communities located close to the oil and gas exploration and production sites where we operate and over the past six years has delivered some £500,000 worth of grants.

You can read more about our community work in the CSR section of this report.

### Financial Review

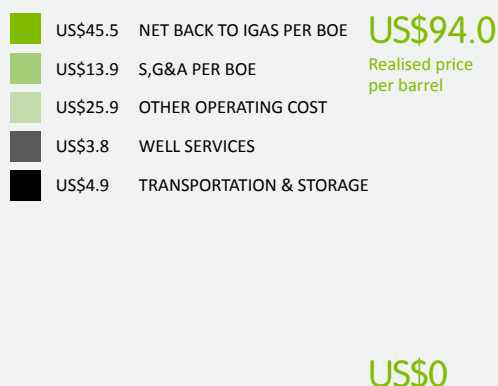
The year ended 31 March 2015 has been one of significant change for the Group, including the completion of the acquisition of Dart, the requirement to reduce costs in light of the weaker oil price environment and the announcement of the farm-out with INEOS. The benefits to the Group of the cost savings are already having an impact, and the expected total charges to the Group for net operating costs and S,G&A to below US\$40/bbl for the year to 31 March 2016, excluding reorganisation costs.

On 16 October 2014, the Company completed the acquisition of Dart by way of a Scheme of Arrangement for £67.4m which was financed by issuing 89,997,626 ordinary shares. The acquisition represented a good opportunity to increase the Group's existing shale acreage across key basins and added to the Group's already significant acreage position.

In March 2015, the Group announced the farm-out of certain licences in the North West and East Midlands and the Group's participating interest in the acreage held under PEDL 133 in Scotland to INEOS. The consideration for IGas' participating interests comprises £30m cash and a funded forward work programme of up to £138m gross, of which IGas' share to be funded fully by INEOS, is expected to amount to approximately £65m.

The acquisition completed on 6 May 2015, post the Balance Sheet date, and therefore the consideration received and recognition of the farm-out is not included in these results.

## Realised price per barrel



US\$0

	Year to 31 March 2015 <sup>1</sup>	Year to 31 March 2014 <sup>2</sup>
Revenues	<b>£58.2m</b>	£75.9m
EBITDA <sup>2,6</sup>	<b>£21.6m</b>	£34.2m
Underlying operating profit <sup>3,6</sup>	<b>£8.6m</b>	£20.3m
(Loss)/profit before tax	<b>£(18.5)m</b>	£2.3m
Net cash from operating activities	<b>£26.5m</b>	£25.1m
Net debt <sup>4</sup>	<b>£86.4m</b>	£80.4m
Cash and cash equivalents	<b>£19.0m</b>	£28.3m
Net assets	<b>£146.6m</b>	£74.3m

### Notes

<sup>1</sup> On 16 October 2014 the Company completed the acquisition of Dart Energy Limited ("Dart") and therefore the 2015 results reflect approximately five months' contribution from Dart.

<sup>2</sup> EBITDA relates to earnings before net finance costs (£12.5m) (2014: £12.5m), tax credit (£23.8m) (2014: tax charge £10.3m), depletion, depreciation and amortisation (£13.0m) (2014: £14.1m), acquisition costs (£0.9m) (2014: £nil), impairment of oil and gas assets (£3.9m) (2014: £nil) and relinquishment and impairment of exploration and evaluation assets (£15.4m) (2014: £3.3m).

<sup>3</sup> Underlying operating profit excludes gains on oil price derivatives (£7.0m) (2014: £2.1m loss), charges under share based payments £1.5m (2014: £0.5m), acquisition costs (£0.9m) (2014: £nil), impairment of oil and gas assets (£3.9m) (2014: £nil) and relinquishment and impairment of exploration and evaluation assets (£15.4m) (2014: £3.3m).

<sup>4</sup> Net debt is borrowings less cash and restricted cash.

<sup>5</sup> On 6 December 2013 the Company completed the acquisition of Caithness Oil Limited and therefore the 2014 results reflect approximately four months' contribution from Caithness Oil Limited.

<sup>6</sup> EBITDA and underlying operating profit are considered by the Company to be useful additional measures to help understand underlying performance.

However, following the announcement of the farm-out, and in light of the likely receipt of monies from INEOS, the Group took the opportunity to repurchase bonds with a face value of US\$15.7m; including US\$1.0m of unsecured bonds in March 2015. The average price paid for the bonds was 84 cents on the dollar.

IGas continues to benefit from its ongoing hedging programme. The significant hedging we had in place in the year to 31 March 2015, resulted in receipts of £5.9m (US\$8.4m) from our hedging counterparties. We currently have 630,000 barrels hedged in the period from 1 July 2015 to September 2016. This is through a mixture of puts, swaps and zero-cost collars, with downside protection ranging from US\$55 to US\$84 per barrel and at an average of c.US\$67 per barrel. We continue to actively manage the hedging of our production.

### Income Statement

The Group recorded revenues of £58.2m in the year (2014: £75.9m), £50.4m excluding third party oil of £7.7m (2014: £65.5m). As stated above, the Group completed the acquisition of Dart on 16 October 2014 and therefore the Income Statement includes approximately five months' impact from Dart and its subsidiaries.

Group production in the year was 999,003 boe (2014: 1,015,866 boe), representing an average of 2,737 boepd (2014: 2,783 boepd).

The average realised price per barrel pre-hedge was £51.7 (US\$84.1) (2014: £66.5 (US\$106.1)) with narrow discounts to Brent continuing to be achieved. After taking into account the cash effect of hedging, which amounted to an average of £6.1 (US\$9.9) per barrel (2014: cost £2.0 (US\$3.2)), the average realised oil price was £57.8 (US\$94.0) (2014: £64.5 (US\$102.9)) per barrel.

On average, oil prices for the year were lower than the prior year due to the oil price falling significantly in the second half of the year (H1 2015: £ 62.1/bbl (US\$104.2/bbl post hedge), H2 2015: £53.9/bbl (US\$82.7/bbl post hedge)).

The Company hedges its oil production through the use of a mixture of puts, swaps and zero cost collars, therefore minimising the cost moving forward. At 31 March 2015, the Group's derivative instruments had a net positive fair value of £1.4m (2014: negative fair value £0.1m).

## OPERATING AND FINANCIAL REVIEW CONTINUED

### Key collaborations

IGas will benefit from a gross funded work programme of up to US\$285m across our key shale gas acreage from major partners, including Total, GDF Suez and INEOS.



GDF SUEZ

INEOS



Cost of sales of £42.7m (2014: £47.9m), includes depreciation, depletion and amortisation ("D,D&A") of £12.8m (2014: £13.9m) and operating costs of £29.9m (2014: £34.1m) including £7.2m in relation to third party oil (2014: £9.9m). Operating costs per barrel of oil equivalent ("boe") were £21.5 (2014: £23.3), excluding costs associated with third party oil. Operating costs include transportation costs of £3.01/boe (2014: £2.84/boe) and the costs of our well service team of £2.35/boe (2014: £3.45/boe). Net back per boe (on a profit and loss basis, post hedging) was US\$45.5 (£28.0) (2014: US\$53.1 (£33.3)). The fall in net back for the year was due to the oil price significantly falling in the second half of the year (H1 2015: £26.0 (US\$43.6), H2 2015: £9.5 (US\$14.7)).

Administrative expenses excluding Dart (£1.1m) were £7.5m (2014: £7.8m). A charge for impairment of £15.4m (£7.9m net of associated deferred tax credit) (2014: £3.3m (£1.7m net of associated deferred tax credit)) was incurred during the year for exploration and evaluation assets following the relinquishment of PEDL 78-2 exploration licence in Staffordshire and the impairment of the exploration and evaluation asset at Singleton and Baxters Copse, in light of current oil prices. There was also an impairment charge £3.9m (£2.0m net of associated deferred tax credit) (2014: nil) for oil and gas assets associated with the Singleton and Gainsborough fields, in light of current oil prices. Gain on oil price derivatives was £7.0m (2014: £2.1m).

Net finance costs were £12.5m (2014: £12.5m), which primarily relates to the net effect of bond interest payable £12.6m and net revaluation loss of £6.3m, due to the weakening of pound sterling versus the US dollar over the past twelve months (1.6672 at 31 March 2014 vs 1.4845 at 31 March 2015), offset by a realised gain on the bonds repurchased of £1.4m and a gain on the fair valuation of warrants outstanding of £5.3m.

Other income amounted to £0.3m (2014: £0.2m).

Gross profit of £15.4m was recognised in the year (2014: £28.0m) with underlying profit of £8.3m (2014: £20.3m).

#### Cash Flow

Cash and cash equivalents at 31 March 2015 were £19.0m (2014: £28.3m).

Cash generated from operating activities in the year amounted to £26.5m (2014: £25.1m).

In March 2015, the Company repurchased bonds with a face value of US\$15.7m for US\$13.2m.

During the year, the Group repaid £5.2m (US\$8.3m) of debt principal in addition to interest of £11.5m (US\$18.5m) relating to the secured bonds.

The Group's capital expenditure in the year ended 31 March 2015 was £16.4m (2014: £14.4m).

#### Balance Sheet

The Group's non-current assets increased by £54.3m during the period to £300.0m, principally due to the acquisition of Dart and the drilling of the well at Ellesmere Port. The Dart acquisition has been accounted for as a business combination by the acquisition method of accounting with an effective date of 16 October 2014, being the date the Group gained control of Dart. Goodwill of £5.4m was added to the Balance Sheet due to the acquisition of Dart.

Borrowings at the Balance Sheet date were £107.5m (US\$159.7m) (2014: £108.6m (US\$181.6m)).

Net debt, being borrowings less cash and restricted cash, at the year-end amounted to £86.4m (2014: £80.4m).

There is current tax payable of £1.1m which relates to supplementary charge arising on the disallowed finance costs for supplementary charge tax purposes.

There was a deferred tax credit in the year of £24.9m, primarily as a result of the recognition of deferred tax assets, deferred tax credits associated with exploration write-offs and impairments, the recognition of certain tax losses and other temporary timing differences within the Group. This has reduced the deferred tax liability to £32.8m as at the Balance Sheet date. As at 31 March 2015, the Group has corporation tax losses of £56.9m.



### Outlook

Over the next twelve months we anticipate acquiring further seismic data, securing new sites and submitting several planning applications for exploration/appraisal wells and flow tests. We will also drill further exploration/appraisal wells including at our site in the East Midlands and anticipate this will start in H1 2016. Whilst ultimately the timing will be driven by planning and permitting, we are planning for two flow test wells in late 2016/ early 2017, based upon existing legislation for a mandatory 12 months baseline monitoring of water, air and soils ahead of conducting a hydraulic fracture.

In respect of our existing producing assets, our forward work programme will include a number of side-tracks, the continuation of the Welton and Gainsborough water injection pilots and the “digital oilfield” initiative. We are also looking to progress the monetisation of our stranded gas assets utilising mini CNG technology. The aim of these initiatives is to at least maintain production at current levels and replace reserves at the 2P level.

Applications for licences (“PEDLs”) in the 14<sup>th</sup> onshore licensing round closed in October 2014. We still await announcement of the licence awards.

Having implemented the cost savings outlined, and following the completion of the farm-out to INEOS in May, with £46.4m of cash on the Balance Sheet as at 31 May 2015, the Group is well placed to deliver against its strategy.

### Stephen Bowler

Chief Executive Officer



<sup>1</sup> Source: [www.gmb.org.uk/newsroom/gmb-ukoog-agreement-on-shale-gas](http://www.gmb.org.uk/newsroom/gmb-ukoog-agreement-on-shale-gas).

## RISKS AND UNCERTAINTIES

The Group constantly monitors the Group's risk exposures and reports to the Audit committee and the Board on a regular basis. The Audit committee receives and reviews these reports and focuses on ensuring that the effective systems of internal financial and non-financial controls including the management of risk are maintained. The results of this work are reported to the Board, which in turn performs its own review and assessment.

Risk	Magnitude	Mitigation
Planning, environmental, licensing and other permitting risks associated with its operations and, in particular, with drilling and production operations.	High	The Group considers that such risks are partially mitigated through compliance with regulations, proactive engagement with regulators, communities and the expertise and experience of its team.
No guarantee can be given that oil or gas can be produced in the anticipated quantities from any or all of the Group's assets or that oil or gas can be delivered economically.	Medium	The Group considers that such risks are mitigated partly given that its producing assets are located in established oil and gas producing areas coupled with the extensive expertise and experience of its operating staff.
Successful development of shale gas resources.	Medium – High	Investment in further data acquisition – core/log data and successful flow tests required.
Exposure to market price risk through variations in the wholesale price of oil in the context of the production from oil fields it owns and operates.	High	<p>The Group has hedged a total of 630,000 barrels over the period to 30 September 2016, through a mixture of put and zero cost collars and capped swaps.</p> <p>The Board will seek to underpin the Group's future cash flows by entering into a combination of put and call options structured at zero cost for baseline production to cover on average 12 months forward. The Board will continue to monitor the benefits of such hedging.</p>
Exposure to market price risk through variations in the wholesale price of gas and electricity in the context of its future unconventional production volumes.	Medium	Currently the Group has not entered into any forward contracts to fix the prices of these commodities. The Board will continue to monitor the benefit of entering into such contracts at the appropriate time.
Exposure to exchange rate risk through both its major source of revenue and its major borrowings being priced in US\$.	Medium	The sterling denominated oil price puts have been taken out in order to mitigate this risk as it affects the need to fund operating and administration costs which are normally paid in pounds sterling.

Risk	Magnitude	Mitigation
Exposure, through its operations, to liquidity risk.	Medium	The Board regularly reviews the Group's cash forecasts and the adequacy of available facilities to meet the Group's cash requirements.
The Group is exposed to capital risk resulting from its capital structure, including operating within the covenants of its existing bond agreements	Low	The capital structure is continually monitored to ensure it is in line with the business needs and ongoing asset development. Further details of the Group's capital management policy are disclosed in note 23 to the consolidated financial statements.
Exposure to political risk. This can include changes in Government or the effect of local or national referendum. These political risks can result in changes in the regulatory or fiscal environment (including taxation) which could affect the Group's ability to deliver its strategy.	Medium	Through UKOOG and other industry associations the Group engages with government and other appropriate organisations to ensure the Group is kept abreast of expected potential changes and takes an active role in making appropriate representations.

The Group is also exposed to a variety of other risks including those related to:

- operational matters (including cost increases, availability of equipment and successful project execution);
- competition;
- key personnel; and
- litigation.



## CORPORATE SOCIAL RESPONSIBILITY



# ENGAGED & COMMITTED



## Bringing real benefits to local people

We are committed to open dialogue on an ongoing basis, with all internal and external stakeholders. We act transparently and with integrity to develop strong, lasting relationships with our stakeholders and as a company, we recognise that our activities and operations are subject to public scrutiny.

For all our activities, and wherever we operate, we manage the risks associated with our business responsibly. This means we behave professionally in our dealings with people, and in the environment from the very start of any project or activity.

### Local Engagement

We operate in many locations across the country, and integral to our success are the relationships we have with neighbouring communities. It is important for us to work in an open, transparent way, promoting effective dialogue with all of our stakeholders, at all times.

We consult with local people, providing information about our activities long before we actually start work and maintaining that conversation throughout our exploration and production periods. Whilst we have a statutory obligation to consult with the community during the planning application process, we feel strongly that communities deserve to have their say throughout the time that we are based in their area.

We work closely with local schools to help children learn about the uses of and sources of oil and gas.

Only by building strong, sustainable relationships and becoming a trusted part of the community can we genuinely claim that we have a social licence to operate.

### IGas Energy Community Fund

We recognise that the strength of our relationships with local communities is vital to our ongoing success; it's important to do what we can to support them and ultimately to improve the lives of people in the areas in which we work. We have long history of giving back to the communities in which we operate, and one way we do this is through the awards made annually by our IGas Community Fund.

The Community Fund exists to help make a positive difference to community and voluntary organisations near to where we operate, and welcomes applications from

organisations that can demonstrate a need for their project, whilst also providing real community benefits and value for money.

2014 was a successful year for the Community Fund. The awards panel, which is made up of two senior IGas executives and representatives from independent community organisations in our key operational areas, awarded £161,174 worth of grants. This has taken the overall funding, since the start of the fund, to over £500,000.

Many of our sites are in remote locations, meaning paramedics can take some time to reach people in an emergency. When local projects apply for defibrillators, they always score highly. We have awarded a grant to an emergency responders group, which provides vital life-saving response cover in the remote villages of Sudbrooke, Scothern, Langworth and Stainton in the East Midlands. Their grant has covered the cost of a training defibrillator for the team.



## Empowering women

IGas is a sponsor of POWERful women and our Non-Executive Chairman, Francis Gugen is a founding member. POWERful Women is an initiative which advocates women's professional development and supports women into leadership roles across the UK's energy sector.

POWERful women is about helping women reach their full potential by providing them with the right network and support in what has been, traditionally, a male dominated industry.

Through the group's mentoring programme, industry leaders are paired with professional women, to provide support and direction, and to help overcome challenges and create opportunities for women's leadership roles within the energy industry. During the year, a number of IGas employees have participated in events including a "Women in Leadership" masterclass.

One of goals of POWERful women is for 40%<sup>1</sup> of middle management in energy companies to be female by 2030, at IGas we are on track to achieve this with over 20% of middle management being female.

<sup>1</sup> Source: [www.powerfulwomen.org.uk](http://www.powerfulwomen.org.uk).

## CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Other projects have included: a grant to a playgroup in Barton which provides low cost playground sessions helping families on low incomes feel more involved in the community. We also funded the restoration of an overgrown allotment, re-fitted a community playground in Stockbridge and resurfaced and re-lined three tennis courts in Gainsborough.

Our goal is to continue making sustainable donations and to make commitments in terms of time, supporting and helping the community.

### Health, Safety and Environment

IGas has an excellent record in relation to health and safety and environmental protection. Throughout the reporting period, we have continued to operate to established company and industry standards and processes which ensure provision of safe and responsible working practices across all our operational activities. These company standards encompass all aspects of our Health, Safety and Environmental management obligations, and are designed to meet and exceed the expectations of our employees, external contractors, government regulators, joint venture partners and the communities with whom we interface.

Having had one Lost Time Incident in the period, our incident rate involving injury continues to remain below the national average for similar industries. We are proud to have recently been awarded our ninth consecutive Royal Society for the Prevention of Accidents Gold Award, which recognises the efforts of all our employees and on-site contractors towards maintaining high standards of health and safety.

Our mandatory environmental operating standards are applied to all areas of the business, and we continue to maintain a proactive working relationship with Environmental Regulators. Our commitment to sustain and enhance the environments in which we operate, means that we work in close collaboration with local communities and other organisations involved in protecting all aspects of the local habitat.

The active participation of our employees in all phases of our operations includes attendance at regular safety meetings, development of operational risk assessments, facility inspections and facility modification assessments. All these activities contribute to identification of potential hazards and allow for the application of an appropriate degree of mitigation to manage risk safely. In circumstances involving either injury or



▲ "Let's talk about shale" team on the road in the digivan

### "Let's talk about shale"

In September 2014, the representative body for the UK onshore oil and gas industry, UKOOG, launched "Let's talk about shale", a new initiative aimed at encouraging people to ask questions they may have about natural gas from shale.

The programme was launched in recognition that the general public is subjected to a stream of information from a range of sources, much of which is contradictory or confusing, but hadn't had an opportunity to have their questions answered or didn't know where to go for reliable, independent information.

Launched in pilot areas in the East Midlands and the North West of England, they asked the public what they wanted to know about shale gas. After collating the information, UKOOG ended up with around 150 generic questions, and then worked with leading independent experts in order to give clear, jargon-free answers before uploading them to their website.

The website provides a huge resource for the public, answering questions on all the topics on which people have expressed concerns.



Head to the "Let's talk about shale" website to read more:  
[www.talkaboutshale.com](http://www.talkaboutshale.com)

### Public support for British shale development

In June 2014, UKOOG commissioned Populus to survey public attitudes to shale gas in the UK. An independent survey, carried out by the University of Nottingham, was published in September 2014<sup>1</sup>.

Populus surveyed 4,086 adults online, finding that overall support for shale gas production stood at 57%, with 27% neutral or don't know and 16% against.

The University of Nottingham surveyed 3,822 people and found that support for shale gas production stood at just over 50%, with 30% opposed<sup>2</sup>.

# 57%

Surveyed by Populus stood in support of shale gas

<sup>1</sup> Source: [www.ukoog.org.uk/about-ukoog/press-releases/131-new-survey-shows-57-of-britons-support-natural-gas-from-shale](http://www.ukoog.org.uk/about-ukoog/press-releases/131-new-survey-shows-57-of-britons-support-natural-gas-from-shale).

<sup>2</sup> Source: [www.ukoog.org.uk/images/ukoog/pdfs/UKOOG\\_Annual\\_Report\\_2014.pdf](http://www.ukoog.org.uk/images/ukoog/pdfs/UKOOG_Annual_Report_2014.pdf).



near-miss events, any subsequent incident investigation will usually include employee representation and is intended to identify perceived deficiencies which will ensure development and implementation of the necessary measures to prevent reoccurrence. The active participation of employees and on-site contractors contributes towards a robust approach to maintaining a strong safety culture across our operating environment.

Our management system has been developed around the requirements of the ISO 9001 and 14001 international standards, and successful retention of certification to these standards has been achieved through routine independent third party assessment of our management processes, which is complimented by our internal audit programme that drives all areas of the business towards a continuous improvement process.

#### Planning and the Environment

In selecting and operating our sites we aim to ensure that our operations minimise the impact on the environment and surrounding local community.

Prior to submitting planning applications for new sites, we undertake assessments of potential effects on the environment and any neighbours to understand what level these impacts could be and how we can change and modify our development and operations to ensure they are minimised to levels and standards that will be approved.

As part of these assessments we also undertake baseline monitoring of the existing environment, so that if planning permission is granted, we and our regulators can check that there are no operational issues arising that are causing any long term impacts. The baseline monitoring also provides us with a benchmark as to how we should restore the site. In respect of shale gas development, existing legislation requires a 12 month period of baseline monitoring before performing a hydraulic fracture.

We aim to work with the local community as part of our site development process, listening to concerns before our proposals are finalised and if planning permission is granted, continuing that community engagement through local liaison groups.

Our applications for development set out the different phases involved in setting up and operating a site, whether it be for an exploratory, appraisal or production wellsite. We will consider, for example the different traffic levels and noise impacts generated

### IGAS ENERGY Community Fund



## Irlam Amateur Boxing Club

Irlam Amateur Boxing Club helps young people use their energy positively in a safe environment, teaching them discipline, respect, appreciation of the value of fitness and good health whilst building confidence and self-belief.

The club's changing rooms were in a very poor condition, and a grant from IGas Community Fund has been used to upgrade them.

Although the group benefits a wide range of ages, it particularly works with young people, many of whom have behavioural problems and have been excluded from school.

The club creates volunteering opportunities and offers members opportunities to compete, and to gain recognised coaching qualifications in other areas such as health and safety and child protection.



To read more on our latest funded projects visit:  
[www.igascommunityfund.co.uk](http://www.igascommunityfund.co.uk)

during each phase compared to the existing local situation and how long the phase will go on for.

All our wellsite applications will include details of how we are going to restore the site when operations cease. Depending on the type of after use proposed, we will also set out, where possible, how we can enhance the site and surroundings for the local community and biodiversity.

Our planning permissions granted are subject to environmental and land use controls and as such these are monitored by the planning authority and relevant regulators to ensure compliance.

#### Our People

Our continued growth and development as a company is dependent on us retaining the highest calibre of employee. Building on the skills of our team is an integral part of this and, due to us operating in several

locations; we play a part in supporting local employment and local economies the length and breadth of Britain.

#### Apprenticeships

IGas currently has four apprentices located at different sites across the UK. Three apprentices are employed as an "Electrical & Instrumentation Technician" and one as an "Engineer/Mechanical Fitter" apprentice. Each is supported through different training associations.

The Strategic Report, as set out on pages 01 to 31, has been approved by order of the Board

#### Coolley (UK) LLP

Secretary  
IGas Energy plc  
Registered Office:  
7 Down Street  
London  
W1J 7AJ

## BOARD OF DIRECTORS

### Committed leadership

The Board is a highly experienced team of experts, committed to delivering shareholder value and to working in partnership with the communities in which IGas operates.



**Name:** Francis Gugen

**Role:** Non-Executive Chairman

**Skills and experience:** Francis is a founder and Non-Executive Chairman and has over 40 years' oil and gas industry experience. Between 1982 and 2000 he helped grow Amerada Hess in North West Europe, ultimately becoming regional CEO. Currently, as regards companies involved in conventional oil & gas, he is also Non-Executive Chairman of Petroleum Geophysical Services ASA and Chrysaor Limited and a board member of SBM Offshore NV. Until 2006 he served as Non-Executive Chairman of the start-up North Sea gas fields and pipelines operator, CH4 Energy Limited, which was subsequently disposed of for €224m.

#### Committees



#### Committees Member Key

- A Audit committee
- R Remuneration committee
- N Nomination committee
- Chair of committee
- Member of committee



**Name:** Stephen Bowler

**Role:** Chief Executive Officer

**Skills and experience:** Steve became Chief Executive Officer in May 2015 having joined IGas as Chief Financial Officer in 2011. He qualified as a chartered accountant with Touche Ross, now Deloitte. In 1999, Steve joined ABN Amro Hoare Govett, now part of Jefferies, where he acted as adviser and broker to a wide range of UK listed companies in the oil and gas sector.

Steve advised Star Energy on its IPO in 2004. The Star Energy producing assets were acquired by IGas in 2011, transforming IGas at that time to become one of the leading UK onshore oil and gas companies. Over the past four years, Steve has been a key member of the executive team that has successfully completed four acquisitions, two bond raisings and an equity issue, in addition to the farm-outs to Total and more recently INEOS.



**Name:** John Blaymires

**Role:** Chief Operating Officer

**Skills and experience:** John has over 30 years of international experience in the oil and gas industry gained with Hess Corporation and Shell International. Before joining IGas he was Director of Technology Development for Hess based in Houston, where he helped develop a global engineering and geoscience technology group responsible for providing support across the E&P business, from deepwater to unconventional resources. Prior to that John was Technical Director for Hess' operations in West Africa, and subsequently South East Asia with responsibility for several major oil and gas developments. John has a BSc and PhD in Mining Engineering from Leeds University.



## Committees



**Name:** John Bryant

**Role:** Senior Independent Non-Executive director

**Skills and experience:** John is Chairman of Weatherly International Plc, a board member of China Africa Resources Plc and Victoria Oil and Gas Plc. All these companies are AIM-listed.

He was, until recently, a Board member of the Attiki Gas Company, which supplies natural gas to Athens and the surrounding districts. John previously served as President of Cinergy Global Resources Corp, responsible for all international business and global renewable power operations of this US-based electricity and gas utility provider.



## Committees



**Name:** Cuth McDowell

**Role:** Non-Executive director

**Skills and experience:** Cuth has 33 years of international experience in the oil and gas sector, having held a range of leadership positions in Exploration and Production.

He began his career with BP, where he held various commercial and management roles over eight years. Cuth then joined Clyde Petroleum plc, initially as Senior Economist, subsequently becoming Group Commercial Manager before Clyde was bought by Gulf Canada.

In 1997, Cuth joined Paladin Resources plc, where he served primarily as Finance Director. The company raised £120m in four separate primary offerings before it was sold to Talisman Energy Inc. for approximately £1.2bn in 2006. Cuth is currently chairman at Quotall Ltd., an unlisted software development company.



## Committees



**Name:** Robin Pinchbeck

**Role:** Non-Executive director

**Skills and experience:** Rob has 40 years of international experience in the oil and gas sector, having held leadership positions in both oil and oil-services sectors with BP, Atlantic Power, PGS and most recently, with Petrofac Limited where he founded and led the Operations Services division, and served as Group Director of Strategy.

Rob's past Non-Executive positions include Sondex plc, SLR Consulting Ltd, Enquest plc, Seven Energy International Limited and Sparrows Offshore Ltd (where he was chairman). He is currently a Non-Executive director at Enteq Upstream plc and Starn Energy Services Limited and is Chairman at PTS Consulting Limited.



# Corporate Governance

The Board of Directors support high standards of corporate governance and the guidance set out in the UK Corporate Governance Code. As an AIM listed company, IGas Energy plc is not obliged to comply with The UK Corporate Governance Code published in September 2012 (the “Code”) but instead uses its provisions as a guide, only as considered appropriate to the circumstances of the Company.

## The Board and its committees

The Board of the Company consists of two Executive Directors and four Non-Executive directors; with Mr Bryant, Mr Pinchbeck and Mr McDowell being considered to be independent. The Senior Independent Non-Executive director is John Bryant and biographies of all the Directors are included within this statement.

The Board retains full and effective control over the Group. The Board meets regularly, at least eight times a year, to consider reports on the operational and financial performance of the Group and to decide on matters reserved unto itself, which include reviewing and approving the Group’s strategy, budgets, major items of capital expenditure and senior personnel appointments.

The Directors have established separate committees each chaired by a Non-Executive director as follows:

### Audit committee

The Committee comprises only Non-Executive directors; being chaired by Cuth McDowell and having as other members John Bryant and Robin Pinchbeck. The Chairman and the Executive Directors may attend only at the invitation of the Committee.

The Committee receives and reviews reports from management and the Group’s auditors relating to the Group’s annual report and accounts and to interim results announcements. The Committee focuses particularly on compliance with legal requirements, accounting standards and the AIM Rules and on ensuring that effective systems of internal financial and non-financial controls (including for the management of risk and whistle-blowing) are maintained. However, the ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board of Directors. The Committee is also responsible for making recommendations to the Board of Directors on the appointment of the external auditors and their remuneration. The Committee keeps under review the external auditors’ independence and considers the nature, scope, and results of the auditor’s work and develops policy on and reviews (reserving the right to approve) any non-audit services that are provided by the external auditors.

The Committee normally meets at least three times a year and meets the external auditors at least annually without the presence of the Executive Directors.

### Remuneration committee

The Committee comprises only Non-Executive directors, being chaired by John Bryant and having as other members Robin Pinchbeck and Cuth McDowell. The Committee, which normally meets at least twice a year, has responsibility for making recommendations to the Board of Directors on the Company’s policy on the remuneration of the Chairman, Executive Directors and other senior executives (as are delegated to the Committee to consider) and for determining, within agreed terms of reference, specific remuneration packages for each of them, including pension rights, any compensation payments and the implementation of executive incentive schemes. In accordance with the Committee’s terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

### Nomination committee

The Nomination Committee is chaired by the Chairman, Francis Gugen, and its other member is the Senior Independent Non-Executive director, John Bryant. The Committee, which meets as required throughout the year, has responsibility for considering the size, structure and composition of the Board of Directors, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board of Directors. The Committee is also tasked with ensuring that plans are in place for orderly succession to the Board of Directors and senior management positions, so as to maintain an appropriate balance of skills and experience within the Group and the Board of Directors. The Chief Executive Officer of the Company is invited to attend meetings of the Committee when the Committee is discussing matters related to executive management and such other matters as the Committee chairman deems appropriate.

At each Annual General Meeting at least one third of the Directors shall retire from office by rotation. The Directors to retire by rotation shall include, firstly, any Director who wishes to retire at the meeting and not offer himself for re-election and, secondly, those Directors who have been longest in office since their last appointment or reappointment, provided always that each Director shall be required to retire and offer himself for re-election at least every three years. Directors appointed by the Board hold office only until the dissolution of the Annual General Meeting of the Company next following such appointment.

### Internal control

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures that include, inter alia, financial, operational, health & safety, compliance matters and risk management (as detailed in the Strategic Report) are reviewed on an on-going basis. The Group's internal control procedures include Board approval for all significant projects, including corporate transactions and major capital projects. The Board receives and reviews regular reports covering both the technical progress of projects and the Group's financial affairs to facilitate its control. The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of Consolidated Financial Statements in accordance with IFRS. The Audit committee reviews draft annual and interim reports before recommending their publication to the Board. The Audit committee discusses with the Chief Executive Officer, Chief Financial Officer and external auditors the significant accounting policies, estimates and judgments applied in preparing these reports. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Group, does not consider it necessary at the current time.

### UK Bribery Act

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

### Relations with shareholders

Communications with shareholders are considered important by the Directors. The primary contact with shareholders, investors and analysts is the Chief Executive Officer. The other Executive Directors, however, regularly speak to investors and analysts during the year. Company circulars and press releases have also been issued throughout the year for the purpose of keeping investors informed about the Group's progress.

The Company also maintains a website ([www.igasplc.com](http://www.igasplc.com)) that is regularly updated and contains a wide range of information about the Group.

# Directors' Remuneration Report

This report explains our remuneration policy for Directors and sets out how decisions regarding Directors' pay for the period under review have been taken.

## Remit of the Remuneration committee

The remit of the Remuneration committee (the "Committee") is provided in the Corporate Governance section.

The Committee has engaged the services of PricewaterhouseCoopers LLP ("PwC") to provide wholly independent advice on executive compensation and to assist the Committee in the implementation and evaluation of its long term incentive arrangements. There were no other services provided by PwC to the Group during the period.

## Remuneration policy

The Company's policy is to maintain levels of remuneration sufficient to attract, motivate and retain senior executives of the highest calibre who can deliver growth in shareholder value. Executive remuneration currently consists of basic salary, pensions, benefits, annual bonus (based on annually set targets), and long term incentives (to reward long term performance). The Company seeks to strike an appropriate balance between fixed and performance related reward, therefore, the total remuneration package is structured so that a significant proportion is subject to the achievement of performance targets, forming a clear link between pay and performance. The performance targets are aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between executives and shareholders.

The Committee will continue to review the Company's remuneration policy and make amendments, if necessary, to ensure it remains fit for purpose for the Company, driving high levels of executive performance and remains competitive in the market.

## Base salary

The purpose of the base salary is to:

- help recruit and retain key individuals;
- reflect the individual's experience, role and contribution within the Company; and ensure fair reward for "doing the job".

The Committee reviews base salaries annually to ensure that Executive Directors pay remains competitively aligned with external market practices.

The Committee will retain the discretion to increase an individual's salary where there is a significant difference between current levels and a market competitive rate for similar positions in similar organisations (based on size, complexity and sector). However in determining whether to increase levels the Committee will take the following into consideration:

- the performance of the individual Director;
- the individual Director's experience and responsibilities;
- impact on fixed costs of any increase; and
- pay and conditions throughout the Company.

## Bonus

Executives and employees are eligible to participate in a discretionary bonus plan. The percentage of maximum bonus entitlement received is based on the achievement of challenging corporate and personal targets. The maximum potential bonus entitlement for Directors under the plan is to up to 125% of base salary for the CEO and 100% for other Executive Directors. The Committee will determine on an annual basis the level of deferral, if any, of the bonus payment into Company shares. Maximum bonus levels and the proportion payable for on target performance are considered in the light of market bonus levels for similar roles among the industry sector.

Recognising the ongoing challenging environment, the Board determined a zero pay-out for the 2014/15 Bonus programme and a freeze in fixed pay for the coming year.

For 2015/16, it is the aim of the Committee to set clear objectives for each individual Director relating to Group KPIs plus individual and strategic targets taking into account where an individual has particular influence and responsibility. The Committee also takes into account overall corporate performance in determining an actual annual bonus payment.



The following criteria sets out the performance metrics which the Remuneration committee will determine the bonus against the relevant KPIs and individual and strategic targets and the relative weighting for each Executive Director (the Committee have determined that it is inappropriate to disclose the actual targets due to commercial sensitivity):

A list of the Performance metrics are as follows:

- HSE targets;
- permitting;
- production targets;
- reserves and resources targets (conventional and unconventional);
- Opex and G&A costs;
- cashflow;
- annual share price performance relative to an appropriate comparator group; and personal and strategic development goals.

Bonuses paid in cash are not pensionable.

### Benefits

The Company provides Executive Directors with benefits in kind, with a pension contribution up to 15% of base salary (as well as other less significant benefits in kind).

### Long Term Incentives

#### Long Term Incentive Plan ("LTIP")

Under the Long Term Incentive Plan, adopted by the Board in 2011 participants can each be granted two types of award: an Initial Award and an Annual Award. Both types of award are in the form of a nil cost option. If the relevant conditions attaching to the awards are met then the participant has seven years in which to exercise the award.

The primary purpose of the Initial Awards is to aid the recruitment of key executives. These awards vest at the end of a three year performance period provided the Company's share price performance exceeds the Company's weighted average cost of capital of 10%. The maximum individual limit for an Initial Award is 300% of salary.

The LTIP also provides for Annual Awards to be granted which will vest at the end of a three year period provided certain challenging corporate performance conditions have been met. The purpose of the Annual Award is to provide a competitive annual total remuneration package which retains and motivates the Executive Directors and other selected executives. The maximum individual limit for an Annual Award in any financial year is 200% of salary (this limit was increased from 150% during the year).

No Annual Awards have been made to Executive Directors since the inception of the LTIP. To address the absence of these Annual Award awards over recent years due to close periods, in July 2014 an Annual Award of 200% of base salary was made to each of the Executive Directors to reflect the value of awards foregone in 2011, 2012 and 2013. Although this LTIP award is smaller than the aggregated face value of the annual awards which could have been granted in these years this is balanced with the removal of the provision that any share award must require a minimum 50% deferral of the relevant annual bonus. These awards will vest at the end of a three year performance period provided the Company's share price performance exceeds IGas' weighted average cost of capital of 10%.

# Directors' Remuneration Report

## continued

### IGas 2014 Value Creation Plan ("VCP")

To recognise the changing requirements of the business and to support the achievement of IGas' growth objectives over the medium to long term, a new long-term incentive award was introduced for Executive Directors, namely the IGas 2014 Value Creation Plan ("VCP").

Under the VCP, performance units have been granted which convert into a certain number of shares at the end of 3 year performance period. The VCP requires creation of shareholder value in excess of threshold hurdle, i.e. 10% annualised share price growth from 1 April 2015. If this hurdle is met at the end of performance period, participants will receive in aggregate 12.5% of the shareholder value created above the hurdle. 50% of this value will vest in shares of equivalent value at end of the performance period and 25% at the end of each of the following two years.

In implementing the above arrangement, the Committee will ensure to place an overall limit on the number of new issue shares that can be issued under any share scheme of 10% of the issued share capital in any rolling 10 year period (in line with best practice UK corporate governance guidelines).

### Share Investment Plan ("SIP")

In 2013, the Company adopted an Inland Revenue approved Share Investment Plan for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of IGas Ordinary Shares per month or £1,800 per annum.

Shares are acquired on a quarterly basis. The Company will match the shares purchased on a 1to1 basis and subject to the Company having met pre-defined quarterly production targets, will increase the matching element of that quarter to 2to1. To receive their allocation of matching shares, employees must ordinarily remain employed by the Company for a period of 3 years from the date of grant of the matching award.

### Share price movements during the year

The Group's share price as at 31 March 2015 was 26p per share. The highest price during the period was 147p per share and the lowest share price during the period was 20p per share.

### Current arrangements

#### Executive Directors

The Executive Directors are employed under rolling contracts with notice periods of 12 months or less from the Company or executive.

Directors' emoluments for the period were as follows:

	Year ended 31 March 2015					Year ended 31 March 2014
	Salary £000	Bonus £000	Taxable Benefits £000	Pensions £000	Total £000	Total £000
Executive Directors						
S Bowler – CEO*	280	–	1	42	323	449
J Blaymires – COO	280	–	1	–	281	447
A Austin – Director (Resigned 31 May 2015)*	400	–	–	60	460	631
Total – Executive Directors	960	–	2	102	1,064	1,527

\* S Bowler was appointed as Chief Executive Officer on 8 May 2015. Prior to this he was Chief Financial Officer. A Austin resigned as Chief Executive Officer on 7 May 2015.

	Year ended 31 March 2015				Year ended 31 March 2014
	Emoluments £000	Taxable Benefits £000	Pensions £000	Total £000	Total £000
Non-Executive Directors					
F Gugen – Non-Executive Chairman	105	–	–	105	105*
J Bryant – Senior Independent	75	–	–	75	75*
R Pinchbeck	50	–	–	50	50
C McDowell	60	–	–	60	60
Total – Non-Executive directors	290	–	–	290	290

\* Part of these emoluments are paid to companies that provide the services.

Each of the Executive Directors devotes such time as is required to discharge his duties, which in the case is full time.

As at 31 March 2015, the outstanding long term incentives held by the Directors who served during the year are set out in the table below:

Existing long term incentive arrangements:

Long Term Incentive Plan	Date of Grant	At 1 April 2014	Number of Options			As at 31 March 2015	Earliest vesting date	Lapse date
			Granted	Exercised	Lapsed			
S Bowler	21/11/2011	396,040	—	—	(396,040)	—	21/11/2014	21/11/2014
	30/09/2013	285,703	—	—	—	285,703	30/09/2016	30/09/2023
	24/07/2014	—	481,721	—	—	481,721	31/03/2017	31/03/2024
J Blaymires	21/11/2011	681,743	—	—	(681,743)	—	21/11/2014	21/11/2014
	24/07/2014	—	481,721	—	—	481,721	31/03/2017	31/03/2024
A Austin (Resigned 31 May 2015)	21/11/2011	1,029,702	—	—	(1,029,702)	—	21/11/2014	21/11/2014
	24/07/2014	—	688,172	—	—	688,172	31/03/2017	31/03/2024

Value Creation Plan	Date of Grant	At 1 April 2014	Number of Units			As at 31 March 2015	Earliest vesting date	Lapse date
			Granted	Exercised	Lapsed			
S Bowler	24/07/2014	—	21	—	—	21	50%-31/07/2017	31/03/2022
							25%-31/03/2018	
							25%-31/03/2019	
J Blaymires	24/07/2014	—	21	—	—	21	50%-31/07/2017	31/03/2022
							25%-31/03/2018	
							25%-31/03/2019	
A Austin (Resigned 31 May 2015)	24/07/2014	—	38	—	—	38	50%-31/07/2017	31/03/2022
							25%-31/03/2018	
							25%-31/03/2019	

### Non-Executive directors

The Non-Executive directors are employed under rolling contracts with notice periods of three months, under which they are not entitled to any pension, benefits or bonuses.

### John Bryant

Chairman Remuneration committee  
8 July 2015



## Directors' Report

The Directors present their report together with the Group and Parent Company Financial Statements for the year ended 31 March 2015.

### Business review and future developments

A review of the business and the future developments of the Group are presented in the Chairman's statement, the Chief Executive's statement and the Chief Financial Officer's review which are all sections within the Strategic Report.

### Dividends

The Directors do not recommend the payment of any dividend (2014: £nil).

### Going concern

The Directors consider that, having taken into consideration the factors set out in note 1(b) in the Financial Statements, the expected operating cash flows of the Group combined with the Bond monies give them confidence that the Group has adequate resources to continue as a going concern. The Financial Statements have, therefore, been prepared on the going concern basis.

### Principal activity

The Group's principal area of activity is exploring for, appraising, developing and producing oil and gas.

### Share capital

Details of changes to share capital in the year are set out in note 26 to the Consolidated Financial Statements. On 15 October 2014, the Company issued 89,997,626 new ordinary 10p shares pursuant to the acquisition of Dart.

### Directors and their interests

The Directors who served during the year were as follows:

F Gugen	Non-Executive Chairman
S Bowler	Chief Executive Officer*
J Blaymires	Chief Operating Officer
J Bryant	Non-Executive
R Pinchbeck	Non-Executive
C McDowell	Non-Executive
A Austin	Executive Director (Resigned 31 May 2015)

\* S Bowler was appointed as Chief Executive Officer on 8 May 2015. Prior to this he was Chief Financial Officer.

The Directors' interests for disclosure purposes in the voting rights attaching to the Company's shares at 31 March 2015 were as follows:

	31 March 2015 Ordinary 10p Shares		31 March 2014 Ordinary 10p Shares	
	Number	%	Number	%
F Gugen	27,615,764	9.30	27,615,764	13.49
A Austin (Resigned 31 May 2015)	10,975,628	3.70	10,968,182	5.36
R Pinchbeck	141,000	0.05	141,000	0.07
S Bowler	86,292	0.03	78,929	0.04
J Bryant	59,045	0.02	59,045	0.03
J Blaymires	36,375	0.01	28,929	0.01
C McDowell	—	—	—	—

In addition to the table above, on 22 April 2015, S Bowler, J Blaymires and A Austin subscribed to their full entitlement under the initial subscription of the Group's share scheme and accordingly were each allotted 4,779 shares under the Share Investment Plan ("SIP"). Further details of the SIP can be found in the Remuneration Report.

### Rotation and re-election of Directors

In accordance with the Articles of Association F Gugen and C McDowell retire by rotation and, being eligible, offer themselves for re-election.

### Directors' insurance and indemnity provisions

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 60 of the Company's Articles of Association as adopted on 20 June 2010. These provisions remained in force throughout the year and remain in place at the date of this report.

### Substantial shareholders

At 31 March 2015, in addition to the Directors' interests as set out above, the Company had received notification from the following institutions of interests in excess of 3 per cent of the Company's issued Ordinary Shares with voting rights:

	Number of Shares	%
Nexen Petroleum UK Limited	39,714,290	13.38
Krestlake Pty Limited	14,709,385	4.95
Henderson Global Investors	9,002,036	3.03

### Financial instruments

The Group's principal financial instruments comprise cash balances, borrowings, derivative instruments and other debtors and creditors that arise through the normal course of business as set out in note 25 to the Consolidated Financial Statements. The Group's financial risk management objectives are set out in note 25 to the Consolidated Financial Statements.

### 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.

### Political contributions

The Group made no political donations during the year (2014: £nil).

### Status

The Company is not a closed company as defined in the Income and Corporation Taxes Act 1988.

The Company is domiciled in the UK and incorporated and registered in England.

### Board committees

Information on the Audit, Remuneration and Nomination committees is included in the Corporate Governance section of the annual report.

### Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be proposed at the Annual General Meeting at a fee to be agreed in due course by the Audit committee and the Board.

### Directors' statement as to disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that a Director might reasonably be expected to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

### Cooley (UK) LLP

Secretary  
IGas Energy plc  
Registered Office:  
7 Down Street  
London  
W1J 7AJ

Registered in the United Kingdom number: 04981279

8 July 2015

## Directors' Statement of Responsibilities in Relation to the Group Financial Statements and Annual Report

The Directors are responsible for preparing the Annual Report and the Group Financial Statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group Financial Statements for each financial year. Under that law, the Directors are required to prepare Group Financial Statements under International Financial Reporting Standards as adopted by the European Union. Under Company Law the Directors must not approve the Group Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the Group Financial Statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group Financial Statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the accounts on a going concern basis unless, having assessed the ability of the Group to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group Financial Statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing the Directors' Report and the Strategic Report in accordance with the Companies Act 2006 and applicable regulations.

### Directors' responsibility statement

The Directors confirm that, to the best of their knowledge:

- The Financial Statements, prepared in accordance with International Financial Reporting standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties faced.

By order of the Board

**Stephen Bowler**

Chief Executive Officer

8 July 2015

**John Blaymires**

Chief Operating Officer

8 July 2015



# Independent Auditor's Report to the Members of IGas Energy plc

We have audited the Financial Statements of IGas Energy plc for the year ended 31 March 2015 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements, the related notes 1 to 30 of the Consolidated Financial Statements and notes 1 to 17 of the Parent Company Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Statement of Responsibilities, in Relation to the Group Financial Statements and Annual Report and Parent Company Financial Statements – Directors' Statement of Responsibilities in Respect Thereof, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on Financial Statements

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 March 2015 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

## Daniel Trotman

(Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

8 July 2015

# Consolidated Income Statement

For the year ended 31 March 2015

	Notes	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Revenue	2	<b>58,160</b>	75,917
<b>Cost of sales:</b>			
Depletion, depreciation and amortisation		<b>(12,805)</b>	(13,878)
Other costs of sales		<b>(29,927)</b>	(34,062)
<b>Total cost of sales</b>		<b>(42,732)</b>	(47,940)
<b>Gross profit</b>		<b>15,428</b>	27,977
Administrative costs		<b>(8,545)</b>	(7,875)
Relinquishment of exploration and evaluation assets	11	<b>(224)</b>	(3,259)
Impairment of exploration and evaluation assets	11	<b>(15,182)</b>	–
Impairment of oil and gas assets	12	<b>(3,946)</b>	–
Other income		<b>254</b>	174
Gain/(loss) on oil price derivatives		<b>7,018</b>	(2,095)
<b>Operating (loss)/profit</b>	3	<b>(5,197)</b>	14,922
Exceptional item:			
Costs relating to acquisitions	9	<b>(867)</b>	(47)
Finance income	6	<b>6,902</b>	7,893
Finance costs	6	<b>(19,362)</b>	(20,422)
Net finance costs		<b>(12,460)</b>	(12,529)
<b>(Loss)/profit on ordinary activities before tax</b>		<b>(18,524)</b>	2,346
Income tax credit/(charge)	7	<b>23,769</b>	(10,277)
<b>Profit/(loss) after tax from continuing operations attributable to equity shareholders of the Group</b>		<b>5,245</b>	(7,931)
Loss after tax from discontinued operations	17	<b>(80)</b>	–
<b>Net profit/(loss) attributable to equity shareholders of the Group</b>		<b>5,165</b>	(7,931)
Continuing operations:			
Basic earnings/(loss) per share (pence/share)	8	<b>2.12p</b>	(4.10p)
Diluted earnings/(loss) per share (pence/share)	8	<b>2.08p</b>	(4.10p)
Adjusted basic earnings per share (pence/share)	8	<b>4.71p</b>	2.88p
Adjusted diluted earnings per share (pence/share)	8	<b>4.64p</b>	2.88p
<b>Profit/(loss) attributable to equity shareholders:</b>			
Basic earnings/(loss) per share (pence/share)	8	<b>2.09p</b>	(4.10p)
Diluted earnings/(loss) per share (pence/share)	8	<b>2.05p</b>	(4.10p)
Adjusted basic earnings per share (pence/share)	8	<b>4.68p</b>	2.88p
Adjusted diluted earnings per share (pence/share)	8	<b>4.60p</b>	2.88p

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2015

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
<b>Profit/(loss) for the year</b>	<b>5,165</b>	(7,931)
Other comprehensive income for the year	–	–
Currency translation adjustments	<b>(3,035)</b>	–
<b>Total comprehensive income/(loss) for the year</b>	<b>2,130</b>	(7,931)

# Consolidated Balance Sheet

As at 31 March 2015

	Notes	31 March 2015 £000	31 March 2014 £000
<b>Non-current assets</b>			
Intangible exploration and evaluation assets	11	150,999	90,997
Property, plant and equipment	12	104,314	115,478
Goodwill	10	44,644	39,227
		<b>299,957</b>	245,702
<b>Current assets</b>			
Inventories	14	960	1,344
Trade and other receivables	15	8,151	11,403
Cash and cash equivalents	16	19,025	28,301
Other financial assets – restricted cash	16	2,097	–
Derivative financial instruments	25	1,574	–
		<b>31,807</b>	41,048
Assets classified as held for sale	17	5,013	–
		<b>36,820</b>	41,048
<b>Current liabilities</b>			
Trade and other payables	18	(7,981)	(10,960)
Current tax liabilities	7	(1,085)	–
Borrowings	19	(5,310)	(4,948)
Other liabilities	20	(349)	(6,804)
Derivative financial instruments	25	(201)	(50)
		<b>(14,926)</b>	(22,762)
Liabilities associated with assets classified as held for sale	17	(5,998)	–
		<b>(20,924)</b>	(22,762)
<b>Net current assets</b>		<b>15,896</b>	18,286
<b>Total assets less current liabilities</b>		<b>315,853</b>	263,988
<b>Non-current liabilities</b>			
Borrowings	19	(102,229)	(103,753)
Deferred tax liabilities	7	(32,811)	(57,665)
Provisions	21	(28,826)	(28,248)
Contingent deferred consideration	22	(5,367)	–
		<b>(169,233)</b>	(189,666)
<b>Net assets</b>		<b>146,620</b>	74,322
<b>Capital and reserves</b>			
Called up share capital	26	26,446	17,226
Share premium account	27	117,463	58,933
Capital redemption reserve	27	41,239	41,239
Foreign currency translation reserve		(3,035)	–
Other reserves	28	1,264	(667)
Accumulated deficit		(36,757)	(42,409)
<b>Shareholders' funds</b>		<b>146,620</b>	74,322

These Financial Statements were approved and authorised for issue by the Board on 8 July 2015 and are signed on its behalf by:

**Stephen Bowler**  
Chief Executive Officer

**John Blaymires**  
Chief Operating Officer



## Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	Called up share capital (note 26) £000	Share premium account (note 27) £000	Capital redemption reserve (note 27) £000	Foreign currency translation reserve £000	Other reserves (note 28) £000	Accumulated deficit £000	Total £000
<b>Balance at 1 April 2013</b>	<b>15,407</b>	<b>37,747</b>	<b>41,239</b>	<b>–</b>	<b>(797)</b>	<b>(34,478)</b>	<b>59,118</b>
<b>Changes in equity for year ended 31 March 2014</b>							
Total comprehensive loss for the year	–	–	–	–	–	(7,931)	(7,931)
Employee share plans (note 28)	–	–	–	–	130	–	130
Warrants exercised (note 20)	–	9,508	–	–	–	–	9,508
Issue of shares during the year	1,819	11,678	–	–	–	–	13,497
<b>Balance at 31 March 2014</b>	<b>17,226</b>	<b>58,933</b>	<b>41,239</b>	<b>–</b>	<b>(667)</b>	<b>(42,409)</b>	<b>74,322</b>
<b>Changes in equity for year ended 31 March 2015</b>							
Total comprehensive profit for the year	–	–	–	–	–	5,165	5,165
Employee share plans (note 28)	–	–	–	–	2,418	–	2,418
Lapse of LTIPs under the employee share plan	–	–	–	–	(487)	487	–
Warrants exercised (note 20)	–	1,117	–	–	–	–	1,117
Issue of shares	9,220	57,413	–	–	–	–	66,633
Currency translation adjustments	–	–	–	(3,035)	–	–	(3,035)
<b>Balance at 31 March 2015</b>	<b>26,446</b>	<b>117,463</b>	<b>41,239</b>	<b>(3,035)</b>	<b>1,264</b>	<b>(36,757)</b>	<b>146,620</b>

# Consolidated Cash Flow Statement

For the year ended 31 March 2015

	Notes	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
<b>Operating activities:</b>			
(Loss)/profit before tax for the year		<b>(18,524)</b>	2,346
Depreciation, depletion and amortisation		<b>13,031</b>	14,069
Share based payment charge		<b>1,487</b>	494
(Loss)/gain on derivative financial instruments		<b>(1,422)</b>	46
Finance income	6	<b>(6,902)</b>	(7,893)
Finance costs	6	<b>19,362</b>	20,422
Decrease/(increase) in trade and other receivables and other financial assets		<b>5,755</b>	(1,631)
(Decrease) in trade and other payables, net of accruals related to investing activities		<b>(5,920)</b>	(2,537)
Decrease/(increase) in inventories		<b>383</b>	(287)
Relinquishment of exploration and evaluation licenses		<b>224</b>	3,259
Impairment of exploration and evaluation licenses		<b>15,182</b>	–
Impairment of oil and gas assets		<b>3,946</b>	–
Abandonment costs incurred		<b>(95)</b>	(168)
Other non-cash adjustments		<b>(24)</b>	36
Taxation paid*		<b>(15)</b>	(3,006)
<b>Net cash from operating activities</b>		<b>26,469</b>	25,150
<b>Investing activities:</b>			
Acquisition of exploration and evaluation assets		<b>(11,033)</b>	(9,875)
Acquisition of property, plant and equipment		<b>(5,775)</b>	(4,499)
Acquisitions, net of cash acquired	9	<b>2,524</b>	2
Disposal of investment		<b>1,500</b>	–
Disposal of exploration and evaluation assets		<b>375</b>	–
Interest received		<b>70</b>	87
<b>Net cash used in investing activities</b>		<b>(12,339)</b>	(14,285)
<b>Financing activities:</b>			
Cash proceeds from issue of Ordinary Share Capital	26	<b>997</b>	4,451
Share issue costs	26	<b>(1,882)</b>	–
Interest paid		<b>(11,548)</b>	(10,568)
Cash proceeds from loans and borrowings**		<b>–</b>	24,505
Loan issue costs		<b>–</b>	(3,690)
Repayment of loans and borrowings		<b>(13,688)</b>	(5,128)
<b>Net cash (used in)/from financing activities</b>		<b>(26,121)</b>	9,570
Net (decrease)/increase in cash and cash equivalents in the year		<b>(11,991)</b>	20,435
Net foreign exchange difference		<b>2,715</b>	(1,965)
Cash and cash equivalents at the beginning of the year		<b>28,301</b>	9,831
<b>Cash and cash equivalents at the end of the year</b>	16	<b>19,025</b>	28,301

\* 2014: Tax paid related to the tax payable of the acquired Star Group as at 18 December 2011.

\*\* 2014: Cash proceeds from loans and borrowings are shown net and consists of gross proceeds from bond borrowings of £126.2 million less repayment of Macquarie loan of £89.7 million and hedges and early cancellation fees of £12.0 million.

# Consolidated Financial Statements – Notes

As at 31 March 2015

## 1 Accounting policies

### (a) Basis of preparation of Financial Statements

The Consolidated Financial Statements of IGas Energy plc (the “Company”) and subsidiaries (the “Group”) have been prepared in accordance with International Financial Reporting Standards, adopted for use by the European Union (“IFRSs”) as they apply to the Group for the year ended 31 March 2015 and with the Companies Act 2006. The accounts were approved by the Board and authorised for issue on 8 July 2015. IGas Energy plc is a public limited Company incorporated, registered in England and Wales and is listed on the Alternative Investment Market (“AIM”).

The Group Financial Statements are presented in UK pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

During the year, the Group adopted the following new and amended IFRSs which were applicable to the Group’s activities as of 1 April 2014.

Effective date\*

### International Accounting Standards (IFRS/IAS):

IAS 32	IAS 32 – Amendments to IAS 32 – Offsetting Financial assets and Financial liabilities – These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The Group has concluded that these amendments have no impact on the Financial Statements.	1 January 2014
IAS 36	IAS 36 – Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial assets disposal – These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. As the recoverable amount of certain assets which were impaired in the year were measured at their fair value less cost of disposal, the disclosure requirements included in this amendment are relevant and included in note 12. However, as there was no impairment recognised in the prior year, there is no impact on the comparative disclosures.	1 January 2014
IAS 39	IAS 39 – Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group.	1 January 2014
IFRIC 21	IFRIC 21 – Levies – IFRIC 21 clarifies that an entity recognises a liability for a levy (“a non-refundable fixed fee imposed by a Government”) when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group has concluded that this interpretation has no impact on the Financial Statements.	1 January 2014



## 1 Accounting policies continued

### (a) Basis of preparation of Financial Statements continued

#### New and amended standards and Interpretations

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory only for the Group's accounting periods beginning on or after 1 April 2015 or later periods and which the Group has not adopted early. Those that may be applicable to the Group in future are as follows:

		For financial period commencing on or after*
<b>International Accounting Standards (IFRS/IAS)</b>		
IFRS 9	IFRS 9 – Financial Instruments (2014)	1 January 2018
IFRS 11	IFRS 11 – Amendment – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 15	IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	IAS 16 and IAS 38 – Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

\* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its Financial Statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

The Group does not anticipate that the adoption of these standards and interpretations will either individually or collectively have a material impact on the Group Financial Statements in the period of initial application. The Group does not anticipate adopting these standards and interpretations ahead of their effective date.

### (b) Going concern

The Group's principal activity and principal risks and uncertainties are set out in the Strategic Report. The ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its Bonds, which in turn is dependent on the Group not breaching covenants.

The Group regularly monitors forecasts to determine whether or not breaches are forecast to occur in the future. These forecasts for the Group are regularly produced based on, inter alia, the Group's production and expenditure forecasts, management's best estimate of future oil prices (based on recent forward curves, adjusted for the Group's hedging programme) and the Group's borrowing facilities. Sensitivities are run to reflect different scenarios including, but not limited to, possible reductions in commodity prices below the current forward curve and reductions in forecast oil and gas production rates.

Due to the current weakness in oil and gas prices, the Directors have implemented a series of cost saving initiatives to reduce both operating costs and G&A spend.

On the basis of the Group's current forecasts, no breaches in covenants are anticipated. However these forecasts are based on certain assumptions particularly in relation to oil prices, production rates, operating costs, capital and general expenditure.

Despite the significant recent reduction in oil price, the Group is protected to a material degree against short term volatility. Over the period to 31 March 2016, 480,000 barrels are hedged using a mixture of puts, swaps and zero-cost collars, with downside protection ranging from US\$55.0 to US\$84.0 per barrel. In this period of volatility the Board has also hedged out 195,000 barrels of production to 30 September 2016 through swaps at an average strike price of approximately US\$65 per barrel. The Board continues to actively manage the hedging of production and add to the hedged position on a regular basis to ensure that it is well protected against any short or longer term fluctuations in oil price whilst balancing this against any potential credit exposure to our hedging counterparties, which could be created through a significant improvement in the oil price.

The Board has also considered its response to further significant and sustained falls in the oil price or if baseline or incremental production varies materially from forecasts. The Board has considered a number of potential actions were these to occur, including opportunities for further cost reduction, further hedging activities and portfolio management, including monetising certain of the Group's current exploration and appraisal assets. These potential actions would be in order to continue to meet the current covenants. In the ordinary course of business, the Board keeps under review its financing arrangements and if it is perceived that these arrangements could be detrimental to the operational and strategic objectives of the Group, it would engage proactively with bondholders, with whom the Group has an ongoing and positive dialogue.

The Directors consider that the expected operating cash flows of the Group combined with the current Bonds give them confidence that the Group has adequate resources to continue as a going concern.

# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 1 Accounting policies continued

### (c) Basis of consolidation

The Consolidated Financial Statements present the results of IGas Energy plc and its subsidiaries as if they formed a single entity. The Financial Statements of subsidiaries used in the preparation of Consolidated Financial Statements are based on consistent accounting policies to the parent. All intercompany transactions and balances between Group companies, including unrealised profits arising from them, are eliminated in full. Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, it is treated as an extension of the entity.

At 31 March 2015, the Group comprised the Company and entities controlled by IGas Energy plc (its subsidiaries). The results of subsidiaries acquired during the year are included in the consolidated Income Statement from the date that control passed to the Company.

### (d) Business combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Income Statement. Acquisition costs are expensed and shown as a separate line in the Income Statement.

### (e) Assets held for sale

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable within a year from the classification date. They are measured at the lower of their carrying amount and fair value less costs of disposal, except for assets such as deferred tax assets and financial assets, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

### (f) Joint arrangements

Certain of the Group's licence interests are held jointly with others under arrangements whereby unincorporated and jointly controlled ventures are used to explore, evaluate and ultimately develop and produce from its oil and gas interests. Accordingly, the Group accounts for its share of assets, liabilities, income and expenditure of these joint operations, classified in the appropriate Balance Sheet and Income Statement headings, except where its share of such amounts remain the responsibility of another party in accordance with the terms of carried interests as described at (j) below.

Where the Group enters into a farm-up agreement involving a licence in the exploration and evaluation phase, the Group records all costs that it incurs under the terms of the joint operating agreement as amended by the farm-up agreement as they are incurred.

Where the Group enters into a farm-down agreement involving a licence in the exploration and evaluation phase, the Group records the proceeds received in respect of the farm-down as a reduction to the carrying amount of the asset. Where the proceeds exceed the carrying amount of the asset immediately prior to the farm-down, the excess is recognised as a gain in the Income Statement. No amounts are recognised in respect of future capital expenditure commitments from the farmee.

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

### (g) Significant accounting judgements and estimates

The preparation of the Group's Consolidated Financial Statements in conformity with IFRS requires management to make judgements and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, the Group has identified the following areas where significant judgements and estimates are required, and where if actual results were to differ, this could materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the Financial Statements.

## 1 Accounting policies continued

### (g) Significant accounting judgements and estimates continued

#### Recoverable value of intangible exploration and evaluation assets

The Group has capitalised intangible exploration and evaluation assets in accordance with IFRS 6, which are evaluated for impairment as described at (j) below. Any impairment review, where required, involves estimates and assumptions related to matters (when appropriate), such as recoverable reserves, production profiles, review of forward oil, gas and electricity prices, development, operating and off-take costs, nature of land access agreements and planning permissions, application of taxes and other matters. Where the final outcome or revised estimates related to such matters differ from the estimates used in any earlier impairment reviews, the results of such differences, to the extent that they actually affect any impairment provisions, are accounted for when such revisions are made. Details of the Group's intangible exploration and evaluation assets are disclosed in note 11.

#### Recoverable value of property, plant and equipment

Management reviews the Group's property, plant and equipment periodically for impairment indicators. The determination of recoverable amounts in any resulting impairment test requires judgement around key assumptions. Key assumptions in the impairment models include those related to prices that are based on forward curves and long-term corporate assumptions thereafter, discount rates, that are risked to reflect conditions specific to individual assets, future costs, both capital and operating that are based on management's estimates having regard to past experience and the known characteristics of the individual assets, reserves and future production, discussed further below. Details of the Group's property, plant, and equipment are disclosed in note 12.

#### Recoverable value of goodwill

The Group assesses goodwill each reporting period to determine whether there is any impairment. The assessment requires the use of estimates and assumptions such as long-term oil prices, discount rates, reserves, production profiles and capital expenditure. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable value of goodwill. Details of the Group's goodwill are disclosed in note 10.

#### Proved and probable reserves and contingent resources

The volume of proven and probable oil and gas reserves is an estimate that affects the unit of production depreciation of producing oil and gas property, plant and equipment as well as being a significant estimate affecting decommissioning provisions, impairment calculations and the valuation of oil and gas properties in business combinations. Contingent resources affect the valuation of exploration and exploration assets acquired in business combinations and the estimation of the recoverable value of those assets in impairment tests. Proved and probable reserves and contingent resources are estimated using standard recognised evaluation techniques. Estimates are reviewed at least annually and are regularly estimated by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

#### Deferred tax asset recognition

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Details of the Group's deferred tax assets, including those not recognised due to uncertainty regarding the future utilisation, are disclosed in note 7.

#### Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed periodically and is based on forecast price levels and technology at the Balance Sheet date. Provision is made for the estimated cost at the Balance Sheet date, using a discounted cash flow methodology and a risk free rate of return. Details of the Group's decommissioning costs are disclosed in note 21.

#### Business combinations

When the Group acquires a business, it assesses the fair value of the assets acquired and liabilities assumed by reference to the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Petroleum reserves and resources used in the assessment of fair values on acquisition refer to independent reports. Where resources are significant they are risked on the basis of their inherent uncertainty. Discounted cash flow models are used to reflect the revenues and expenditures related to the extraction of those reserves. Comparable resource multiples achieved in recent market activity are used for resources. Other assets and liabilities are valued by reference to market-based observations or independent valuations where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Details of business combinations occurring in the current and prior year are disclosed in note 9.

#### Functional currency

The determination of functional currency often requires significant judgement where the primary economic environment in which a company operates may not be clear. The parent entity reconsiders the functional currency of its entities if there is a change in the events and conditions which determines the primary economic environment.



# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 1 Accounting policies continued

### (h) Exceptional items

Exceptional items are material items of income or expenditure which, in the opinion of the Directors, due to their nature and infrequency require separate identification on the face of the Income Statement to allow a better understanding of the financial performance in the year. A full explanation of such items is given, where applicable, in the notes to the Financial Statements.

### (i) Revenue

Revenue comprises the invoiced value of goods and services supplied by the Group, net of value added tax and trade discounts. Revenue is recognised in the case of oil, gas and electricity sales when goods are delivered and title has passed to the customer. This generally occurs when the product is physically delivered to the customer's premises or transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of oil from fields in which the Group has an interest with other producers, is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. Where oil produced by third parties is processed and delivered to a refinery by the Group, the measurement of the revenue depends upon whether physical title to the oil passes to the Group or whether the Group simply acts as an agent for the producer.

### (j) Non-current assets

#### Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised over the fair value of the identifiable net assets acquired and liabilities assumed in a business combination.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

#### Intangible exploration and evaluation assets

The Group accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 "Exploration for and Evaluation of Mineral Resources" as follows:

- Any costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement. Expenditures related to development and production activities are not recognised as exploration and evaluation assets.
- Expenditures recognised as exploration and evaluation assets comprise those related to acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling (including coring and sampling), activities in relation to evaluating the technical feasibility and commercial viability of extracting hydrocarbons (including appraisal drilling and production tests) and any land rights acquired for the sole purpose of effecting these activities. These costs include employee remuneration and directly attributable overheads, materials and consumables, equipment costs and payments made to contractors.
- Tangible assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such tangible assets are consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the exploration and evaluation asset.
- Expenditures recognised as exploration and evaluation assets are initially accumulated and capitalised by reference to appropriate geographic areas.
- Exploration and evaluation assets are carried at cost less any impairment and are not depreciated or amortised.
- Expenditure recognised as exploration and evaluation assets are transferred to property plant and equipment, interests in oil and gas properties when technical feasibility and commercial viability of extracting hydrocarbons is demonstrable. Exploration and evaluation assets are assessed for impairment (on the basis described below), and any impairment loss recognised, before reclassification.

#### Impairment testing of exploration and evaluation assets

Expenditures recognised as exploration and evaluation assets are tested for impairment whenever facts and circumstances suggest that they may be impaired, which includes when a licence is approaching the end of its term and is not expected to be renewed, there are no substantive plans for continued exploration or evaluation of an area, the Group decides to abandon an area, or whilst development is likely to proceed in an area there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale.

## 1 Accounting policies continued

### (j) Non-current assets continued

#### Property plant and equipment – interests in oil and gas properties

Property plant and equipment, interests in oil and gas properties are accounted for as follows:

- Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.
- The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.
- When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation.
- Expenditure relating to interests in oil and gas properties includes both expenditure which is depleted on a unit of production basis, commencing at the start of commercial production and expenditure which is depreciated on a straight line basis over the relevant asset's estimated useful life. Where expenditure is depreciated on a unit of production basis, the depletion charge is calculated according to the proportion that production bears to the recoverable reserves for each property.
- The Group's interests in oil and gas properties are assessed for indications of impairment including events or changes in circumstances which indicate that the carrying value of an asset may not be recoverable, when impairment is computed on the basis as set out below. Any impairment in value is charged to the Income Statement as additional depreciation.
- Net proceeds from any disposal of development/producing assets are compared to the previously capitalised costs for the relevant asset or Group of assets. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset or Group of assets.

#### Impairment

Impairment tests, when required as described above, are carried out on the following basis:

- By comparing the sum of any amounts carried in the books as compared to the recoverable amount.
- The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The Group generally assesses the value in use using the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
- Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value and the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

#### Decommissioning

Where a liability for the removal of production facilities or site restoration exists, a provision for decommissioning is recognised. The amount recognised is discounted to its present value and is reflected in the Group's non-current liabilities. A corresponding asset is included in the appropriate category of the Group's non-current assets (intangible exploration and evaluation assets and property plant and equipment), depending on the accounting treatment adopted for the underlying operations/asset leading to the decommissioning provision. The asset is assessed for impairment and depleted in accordance with the Group's policies as set out above.

#### Carried interests

Where the Group has entered into carried interest agreements in exploration and evaluation projects and the Group's interest is being carried by a third party, no amounts are recorded in the Financial Statements where expenditure incurred under such agreements is not refundable. Where expenditure is refundable, out of what would but for the carry agreements have been the Group's share of production, the Group records amounts as non-current assets, with a corresponding offset in current liabilities or non-current liabilities, as appropriate, but only once it is apparent that it is more likely than not that future production will be adequate to result in a refund under the terms of any carry agreement; the Group records refunds only to the extent that they are expected to be repayable.

#### Other property plant and equipment

Other property plant and equipment is stated at cost to the Group less accumulated depreciation. Depreciation is provided on such assets, with the exception of freehold land, at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives at the following rates, with any impairment being accounted for as additional depreciation:

Equipment used for exploration and evaluation	– between six and twelve years on a straight line basis
Freehold land	– indefinite useful life
Buildings/leasehold property improvements	– over five to ten years on a straight line basis/over the period of the lease
Fixtures, fittings and equipment	– between three and twenty years on a straight line basis
Motor vehicles	– over four years on a straight line basis

The Group does not capitalise amounts considered to be immaterial.

# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 1 Accounting policies continued

### (k) Financial instruments

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with original maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

#### Other financial assets – Restricted cash

Restricted cash relates to bond guarantees issued to Governments for the performance under the terms of work programs. Funds are only classified as cash and cash equivalents when monies are transferred to and under the control of the Group.

#### Trade and other receivables

Trade receivables are initially recognised at fair value when related amounts are invoiced, then carried at this amount less any allowances for doubtful debts or provision made for impairment of these receivables.

#### Trade and other payables

These financial liabilities are all non-interest bearing and are initially recognised at the fair value of the consideration payable.

#### Derivative financial instruments and hedge accounting

The Group enters into derivatives to manage its exposure to variability in the price realised on a proportion of its crude oil production. All derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each period end. Apart from those derivatives designated as qualifying cash flow hedging instruments, all changes in fair value are recorded as financial income or expense in the year in which they arise, otherwise they are recognised in other comprehensive income.

Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows. The fair value of derivative financial instruments has been calculated on a discounted cash flow basis by reference to forward market prices and risk free returns adjusted in the case of derivative financial liabilities by an appropriate credit spread.

Derivatives embedded in host contracts, such as warrants attached to loans, are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Income Statement.

#### Warrants

When warrants do not qualify as equity instruments under IAS 39 due to the variable number of shares that would be issued in each case they are accounted for as financial liabilities. The warrants are initially recognised at fair value on the date they are issued and are subsequently remeasured to fair value at each period end. All changes in fair value are recognised in the Income Statement.

#### Impairment of financial assets

In relation to financial assets, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

#### (l) Borrowings

Borrowings are measured initially at fair value. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process. When management estimates of the amounts or timings of cash flows are revised, borrowings are re-measured using the revised cash flow estimates under the original effective interest rate with any consequent adjustment being recognised in the Income Statement.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Income Statement.

## 1 Accounting policies continued

### (l) Borrowings continued

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

### (m) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### Operating leases

Rentals are charged to the Income Statement on a straight line basis over the period of the lease.

#### Finance leases

Assets held under finance leases are included in tangible fixed assets at their capital value and depreciated over their useful lives. Capital value is defined as the amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments consist of capital and finance charge elements; the finance charge element is charged to the Income Statement.

### (n) Inventories

Inventories, consisting of crude oil, drilling materials and maintenance materials, are stated at the lower of cost and net realisable value. Costs comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily inter-changeable items.

### (o) Taxation

The tax expense represents the sum of current tax and deferred tax.

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Taxable profit/(loss) differs from the profit/(loss) before taxation as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the Balance Sheet date except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Temporary differences arise from differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are not discounted. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The carrying amount of deferred tax is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.



# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 1 Accounting policies continued

### (p) Share based payments

Where share options or warrants are awarded to employees including Directors, the fair value of the options or warrants at the date of the grant is recorded in equity over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including market vesting conditions, are factored into the fair value of the options or warrants granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition; although equity no longer required for options or warrants may be transferred to another equity reserve.

Where the terms and conditions of options or warrants are modified before they vest, the increase in the fair value of the options, measured by the change from immediately before to after the modification, is also recorded in equity over the remaining vesting period.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised or the award is recognised immediately.

Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

Charges corresponding to the amounts recognised in equity are accounted for as a cost against profit and loss unless the services rendered qualify for capitalisation as a non-current asset. Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition of intangible exploration and evaluation assets or property plant and equipment.

Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, the value of such shares at issue will be recorded in share capital and share premium account in the ordinary way, but will not affect shareholders' funds since this same value will be shown as a deduction from shareholders' funds by way of a separate component of equity.

### (q) Post-retirement benefits

A subsidiary within the Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the Income Statement represents the contributions payable to the scheme in respect of the accounting period.

### (r) Equity

Equity instruments issued by the Company are usually recorded at the proceeds received, net of direct issue costs, and allocated between called up share capital and share premium accounts as appropriate.

### (s) Foreign currency

The Consolidated Financial Statements are presented in UK pound sterling, the primary economic environment of the Company.

Transactions denominated in currencies other than functional currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the Balance Sheet date. All differences that arise are recorded in the Income Statement.

For the purposes of consolidation, the Income Statement items of those entities for which the UK pound sterling is not the functional currency are translated into UK pound sterling at the average rates of exchange during the period. The related Balance Sheets are translated at the rates ruling at the Balance Sheet date. Exchange differences arising on translation of the opening net assets and results of such operations, are reported in other comprehensive income and accumulated in equity.

The exchange differences arising on intercompany balances that form part of an entity's net investment in a foreign operation, are recognised in other comprehensive income and accumulated in foreign currency translation reserve until the disposal of the foreign operation.

On disposal of entities with a different functional currency to the Company's functional currency, the deferred cumulative exchange differences recognised in equity relating to that particular operation would be recognised in the Income Statement.

## 1 Accounting policies continued

### (t) Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to dispose are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale being expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. Assets and liabilities classified as held for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. All other notes to the Financial Statements include amounts for continuing operations, unless otherwise mentioned.

## 2 Revenue and segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segments and assess their performance, and for which financial information is available. In the case of the Group, the CODM are the Chief Executive Officer and the Board of Directors and all information reported to the CODM is based on the consolidated results of the Group representing core (UK) and non-core (Rest of the World) operating segments. Therefore the Group has two operating and reportable segments as reflected in the Group's Consolidated Financial Statements.

All revenue, which represents turnover, arises solely within the United Kingdom and relates to external parties. Revenues of approximately £25.1 million and £26.9 million were derived from the Group's two largest customers (2014: £29.7 million and £32.7 million).

The majority of the Group's non-current assets are in the United Kingdom.

	UK £000	Rest of the World £000	Year ended 31 March 2015 Group £000
Oil sales to external customers	57,297	–	57,297
Electricity sales to external customers	863	–	863
Segment operating loss	(4,722)	(475)	(5,197)
Exceptional items	(867)	–	(867)
Interest expense (note 6)	(12,582)	–	(12,582)
Net finance income excluding interest (note 6)			122
Profit before tax and discontinued operations			(18,524)
<b>Other segment information</b>			
Capital expenditure – exploration and evaluation	77,869	–	77,869
Capital expenditure – property, plant and equipment	5,811	6	5,817
Depletion, depreciation and amortisation	13,031	1	13,032

# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 2 Revenue and segment information continued

	UK/ Europe £000	Rest of the World £000	Year ended 31 March 2014 Group £000
Oil sales to external customers	74,805	–	74,805
Electricity sales to external customers	1,112	–	1,112
Segment operating profit	14,922	–	14,922
Exceptional items	(47)	–	(47)
Interest expense (note 6)	(11,756)	–	(11,756)
Net finance cost excluding interest (note 6)			(773)
Profit before tax and discontinued operations			2,346
<b>Other segment information</b>			
Capital expenditure – exploration and evaluation	12,512	–	12,512
Capital expenditure – property, plant and equipment	6,927	–	6,927
Depletion, depreciation and amortisation	14,069	–	14,069

## 3 Operating profit

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Operating profit is stated after charging:		
Staff costs	10,345	10,194
Depletion, depreciation and amortisation	13,012	14,069
Auditor's remuneration:		
Audit of the Financial Statements	416	199
Audit of accounts of any associate of the Company	68	56
Audit-related assurance services	147	72
All taxation advisory services other than tax compliance	57	37
Corporate finance services	237	–
Non-assurance services	–	25
Operating lease charges:		
Land and buildings	1,969	1,723
Other	211	196

#### 4 Employee information

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Staff costs comprised:		
Wages and salaries	10,181	9,600
Social security costs	1,174	1,457
Company contribution to pension scheme	933	760
Employee share based payment cost	2,657	577
	<b>14,945</b>	<b>12,394</b>
	No.	No.
Average number of employees including directors in the year		
Operations, including services	158	128
Administrative	51	39
	<b>209</b>	<b>167</b>

In the year ended 31 March 2015 £4.6 million (2014: £2.2 million) of the Group's staff costs including Executive Directors have been capitalised in accordance with the Group's accounting policy.

#### 5 Directors' emoluments

The remuneration of the Directors for the year was as follows:

	Year ended 31 March 2015					Year ended 31 March 2014				
	Salary £000	Bonus £000	Taxable Benefits £000	Pensions £000	Total £000	Salary £000	Bonus £000	Taxable Benefits £000	Pensions £000	Total £000
Executive Directors										
S Bowler – CEO*	280	–	1	42	323	225	188	2	34	449
J Blaymires – COO	280	–	1	–	281	225	187	1	34	447
A Austin – Director (Resigned 31 May 2015)*	400	–	–	60	460	310	263	11	47	631
Total – Executive Directors	960	–	2	102	1,064	760	638	14	115	1,527

\* S Bowler was appointed as Chief Executive Officer on 8 May 2015. Prior to this he was Chief Financial Officer. A Austin was Chief Executive Officer until 7 May 2015.

	Year ended 31 March 2015				Year ended 31 March 2014			
	Emoluments £000	Taxable Benefits £000	Pensions £000	Total £000	Emoluments £000	Taxable Benefits £000	Pensions £000	Total £000
Non-Executive directors								
F Gugen – Non-Executive Chairman	105	–	–	105	105*	–	–	105*
J Bryant – Senior Independent	75	–	–	75	75*	–	–	75*
R Pinchbeck	50	–	–	50	50	–	–	50
C McDowell	60	–	–	60	60	–	–	60
Total – Non-Executive directors	290	–	–	290	290	–	–	290

\* Part of these emoluments are paid to companies that provide the services.



# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 5 Directors' emoluments continued

### Directors' share schemes

At 31 March 2015 the Executive Directors held the following awards under the Long Term Incentive Plans (as described in the Remuneration Report) as follows:

#### Long Term Incentive Plan

	31 March 2015 Number	Exercise price (p/share)	31 March 2014 Number	Exercise price (p/share)
S Bowler	767,424	–	681,743	–
J Blaymires	481,721	–	681,743	–
A Austin (Resigned 31 May 2015)	688,172	–	1,029,702	–

#### Value Creation Plan

	31 March 2015 Number of units	Exercise price (p/unit)	31 March 2014 Number of units	Exercise price (p/unit)
S Bowler	21	–	–	–
J Blaymires	21	–	–	–
A Austin (Resigned 31 May 2015)	38	–	–	–

## 6 Finance income and costs

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Finance income:		
Interest on short-term deposits	119	87
Foreign exchange gains	–	7,806
Other interest	6	–
Gain on Bond buyback (note 19)	1,439	–
Gain on fair value of warrants (note 20)	5,338	–
Finance income recognised in Income Statement	6,902	7,893
Finance expense:		
Finance lease charges	7	–
Other interest	12	130
Interest on borrowings	12,563	11,626
Interest expense:	12,582	11,756
Foreign exchange loss	6,249	–
Unwinding of discount on provisions (note 21)	531	562
Loss on fair value of warrants (note 20)	–	8,104
Finance expense recognised in Income Statement	19,362	20,422

## 7 Taxation

### i) Tax charge on (loss)/profit on ordinary activities

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
UK corporation tax:		
Current tax on income for the year	1,085	–
Total current tax charge/(credit)	1,085	–
Deferred tax:		
Current year (credit)/charge relating to the origination or reversal of temporary differences	(8,151)	10,317
Current year (credit)/charge relating to the movement due to the tax rate changes	(14,200)	–
Credit in relation to prior year	(2,503)	(40)
Total deferred tax (credit)/charge	(24,854)	10,277
Tax (credit)/charge on profit on ordinary activities	(23,769)	10,277

### ii) Factors affecting the tax charge

The majority of the Group's profits are generated by "ring-fence" businesses which attract UK corporation tax and supplementary charge at a combined average rate of 59.04% (being 62% for the period from 1 April 2014 to 31 December 2014 and 50% from 1 January 2015 to 31 March 2015).

A reconciliation of the UK statutory corporation tax rate applied to the Group's (loss)/profit before tax to the Group's total tax (credit)/charge is as follows:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
(Loss)/profit on ordinary activities before tax	(18,524)	2,346
Expected tax (credit)/charge based on profit or loss on ordinary activities multiplied by an average combined rate of corporation tax and supplementary charge in the UK of 59.04% (2014: 62%)	(10,936)	1,454
Deferred tax (credit) in respect of the prior year	(2,503)	(40)
Tax effect of expenses not allowable for tax purposes/(income not taxable)	(1,488)	6,529
Tax effect of expenses not allowable for supplementary charge purposes	4,746	4,641
Impact of profits or losses taxed or relieved at different rates	3,811	(1,522)
Net (decrease) in unrecognised losses carried forward	(3,474)	(781)
Tax rate change – opening	(14,200)	–
Tax rate change – closing	276	–
Other	–	(4)
Tax (credit)/charge on (loss)/profit on ordinary activities	(23,769)	10,277

With effect from 1 January 2015, the rate of supplementary charge has been reduced from 32% to 20%. This change has been reflected in the current year credit included in the deferred tax credit for the year relating to the Group's ring-fence activities.

During the year legislation was enacted to reduce the main rate of corporation tax from 21% to 20% with effect from 1 April 2015. These rates are reflected in the calculation of deferred tax balances in respect of the Group's non ring-fence activities.

# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 7 Taxation continued

### iii) Deferred tax

The movement on the deferred tax liability in the year is shown below:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Opening liability at beginning of year	57,665	47,388
Tax credit relating to prior year	(2,503)	(40)
Tax (credit)/charge during the year recognised in Income Statement	(8,151)	10,317
Tax (credit)/charge arising due to the changes in tax rates	(14,200)	–
Closing liability at end of year	32,811	57,665

The following is an analysis of the deferred tax liability by category of temporary difference:

	31 March 2015 £000	31 March 2014 £000
Accelerated capital allowances	63,189	85,928
Tax losses carried forward	(21,937)	(19,999)
Decommissioning provision	(8,559)	(7,775)
Unrealised gains or losses on derivative contracts	686	(31)
Share based payments	(568)	(458)
Deferred tax liabilities	32,811	57,665

### iv) Tax losses

Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered. Such tax losses include £43.0 million (2014: £50.5 million) of ring-fence corporation tax losses.

The Group has further tax losses and other similar attributes carried forward of approximately £177.4 million (2014: £120.7 million) for which no deferred tax asset is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits. Such losses carried forward include losses arising in Dart UK companies which have been acquired during the period.

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

## 8 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit/(loss) for the year attributable to the ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the potentially dilutive Ordinary Shares into Ordinary Shares.

Adjusted basic EPS amounts are calculated by dividing the adjusted profit/(loss) for the year, after adjusting for exceptional items, “mark to market” valuation adjustments and other one-off costs listed below which do not reflect the trading of the Group, attributable to the ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year. It is noted that these adjustments do not reflect related tax effects.

Adjusted diluted EPS amounts are calculated by dividing the adjusted profit/(loss) for the year, after adjusting for exceptional items, “mark to market” valuation adjustments and other one-off costs listed below which do not reflect the trading of the Group, attributable to the ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the potentially dilutive Ordinary Shares into Ordinary Shares. It is noted that these adjustments do not reflect related tax effects.

## 8 Earnings per share (EPS) continued

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Continuing operations:		
Basic EPS – Ordinary Shares of 10p each (Pence)	<b>2.12p</b>	(4.10p)
Diluted EPS – Ordinary Shares of 10p each (Pence)	<b>2.08p</b>	(4.10p)
Adjusted basic EPS – Ordinary Shares of 10p each (Pence)	<b>4.71p</b>	2.88p
Adjusted diluted EPS – Ordinary Shares of 10p each (Pence)	<b>4.64p</b>	2.88p
Discontinued operations:		
Basic EPS – Ordinary Shares of 10p each (Pence)	<b>(0.03p)</b>	–
Diluted EPS – Ordinary Shares of 10p each (Pence)	<b>(0.03p)</b>	–
Adjusted basic EPS – Ordinary Shares of 10p each (Pence)	<b>(0.03p)</b>	–
Adjusted diluted EPS – Ordinary Shares of 10p each (Pence)	<b>(0.03p)</b>	–
Total:		
Basic EPS – Ordinary Shares of 10p each (Pence)	<b>2.09p</b>	(4.10p)
Diluted EPS – Ordinary Shares of 10p each (Pence)	<b>2.05p</b>	(4.10p)
Adjusted basic EPS – Ordinary Shares of 10p each (Pence)	<b>4.68p</b>	2.88p
Adjusted diluted EPS – Ordinary Shares of 10p each (Pence)	<b>4.60p</b>	2.88p
Profit/(loss) for the year from continuing operations attributable to equity holders of the parent – £000	<b>5,245</b>	(7,931)
Add back:		
(Gain)/loss on oil price derivatives*	<b>(7,018)</b>	2,095
Acquisition costs*	<b>867</b>	47
Relinquishment of exploration and evaluation assets*	<b>224</b>	3,259
Impairment of exploration and evaluation assets*	<b>15,182</b>	–
Impairment of oil and gas assets*	<b>3,946</b>	–
(Gain) on bond buyback	<b>(1,439)</b>	–
(Gain)/loss on revaluation of warrants*	<b>(5,338)</b>	8,104
Adjusted profit for the year from continuing operations attributable to equity holders of the parent – £000	<b>11,669</b>	5,574
(Loss) from discontinued operations attributable to equity holders of the parent – £000	<b>(80)</b>	–
Adjusted profit from attributable to equity holders of the parent – £000	<b>11,589</b>	5,574
Weighted average number of Ordinary Shares in the year – basic and adjusted basic EPS	<b>247,605,481</b>	193,410,155
Weighted average number of Ordinary Shares in the year – diluted and adjusted diluted EPS	<b>251,739,366</b>	193,410,155

\* These adjustments exclude the related tax effects.

There are 2,104,308 potentially dilutive options over the Ordinary Shares at 31 March 2015 (2014: 13,004,060 warrants and options), which are not included in the calculation of diluted earnings per share and adjusted earnings per share because they were anti-dilutive as their conversion to Ordinary Shares would decrease the loss per share.



# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 9 Acquisitions

### Acquisition of Dart Energy Limited

On 16 October 2014, the Company acquired the entire issued share capital of Dart Energy Limited (“Dart”) on a share for share exchange basis for a consideration of 89,997,626 Ordinary Shares of 10p each (the “Acquisition”). The fair value of that consideration was £67.4 million. The combination created a market leading onshore UK oil and gas Company with the largest area in the UK under licence of over 1 million net acres including major UK shale basins.

The non-core assets (those Dart assets located outside of the UK), have been classified on acquisition as assets held-for-sale.

The Dart acquisition has been accounted for as a business combination by the acquisition method of accounting with an effective date of 16 October 2014, being the date the Group gained control of Dart. Due to the inherently uncertain nature of the oil and gas sector, in particular, in valuing intangible exploration and evaluation assets, the fair values of certain assets and liabilities, most significantly exploration and evaluation assets, provisions, goodwill and related tax effects, are provisional.

### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Dart as at the date of acquisition were:

	Provisional fair value £000
<b>Assets</b>	
Investments	1,566
Exploration and evaluation (note 11)	60,559
Other intangible assets*	2,374
Property, plant and equipment (note 12)	338
Cash and cash equivalents	2,525
Restricted cash	2,513
Other receivables	2,710
Assets classified as held for sale	2,343
	<b>74,928</b>
<b>Liabilities</b>	
Trade and other payables	(1,822)
Provisions (note 21)	(4,076)
Contingent consideration (note 22)	(5,367)
Liabilities associated with assets classified as held for sale	(1,718)
	<b>(12,983)</b>
<b>Total identifiable net assets at fair value</b>	<b>61,945</b>
<b>Purchase consideration</b>	<b>67,362</b>
<b>Goodwill</b>	<b>5,417</b>

\* Other intangible assets include an option to acquire a partial interest in PEDL 169.

The fair value of contractual receivables amounts to £nil million. The gross value of the contractual receivables amounts to £nil million all of which is expected to be received.

Transaction costs in respect of the Dart acquisition of £0.86 million have been recognised in the Income Statement.

From the date of acquisition, Dart has contributed £nil million of revenue and £2.7 million loss towards the net loss before tax of the Group from continuing operations. If the combination had taken place at 1 April 2014, the Group’s revenue from continuing operations for the year would have been £58.2 million and the Group’s operating profit before tax and acquisition costs for the Group would have been £6.8 million.

The goodwill of £5.4 million is discussed further in note 10.

## 9 Acquisitions continued

### Analysis of cash flows on acquisition

	£000
Consideration paid for Dart net of cash acquired	2,525
<b>Net cash inflow on acquisition of Dart</b>	<b>2,525</b>

### Acquisition of Caithness Oil Limited (Renamed IGas Energy (Caithness) Limited)

On 6 December 2013, the Company acquired the entire issued share capital of Caithness Oil Limited ("Caithness"), an unlisted oil and gas exploration and production Company for a consideration of £7.9 million (including assumed borrowings of £7.9 million) which was funded by the issue of 7,488,301 Ordinary Shares of the company. In addition to increasing IGas' current production, the acquisition offers additional upside through utilisation of significant existing tax losses and monetisation of associated gas.

The accounting for the acquisition of Caithness as of 6 December 2013 (acquisition date) was provisionally determined in respect of the fair values of certain assets acquired and liabilities assumed in the Financial Statements for the year ended 31 March 2014. During the year ended 31 March 2015, the necessary valuations and assessments have been undertaken so that the accounting for this acquisition has been finalised. There were no adjustments to the provisional fair values of identifiable assets and liabilities as previously reported.

The details of the fair values of assets acquired and liabilities assumed are shown below:

### Assets acquired and liabilities assumed

	Final fair value £000
<b>Assets</b>	
Property, plant and equipment (note 12)	2,346
Cash and cash equivalents	2
Trade and other receivables	317
	<b>2,665</b>
<b>Liabilities</b>	
Trade and other payables	(970)
Borrowings	(7,947)
Deferred tax liabilities	–
Provisions (note 21)	(809)
	<b>(9,726)</b>
<b>Total identifiable net liabilities at fair value</b>	<b>(7,061)</b>
<b>Purchase consideration</b>	<b>–</b>
<b>Goodwill</b>	<b>7,061</b>

# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 10 Goodwill

	31 March 2015 £000	31 March 2014 £000
Opening balance	39,227	32,166
Acquisitions	5,417	7,061
Impairments	–	–
	<b>44,644</b>	39,227

Goodwill of £5.4 million was generated in the year, as described in note 9 above.

Goodwill all relates to the acquisitions of Star, Singleton, Caithness and Dart and arises principally because of the following factors:

- 1) the requirement to recognise deferred income tax assets and liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value;
- 2) the intangible value of an experienced team of oil industry professionals with experience of operating in the UK onshore market;
- 3) the relationships and reputation developed by the acquired business with central and local government in Great Britain;
- 4) the considerable potential for discovery of additional volumes of both conventional and unconventional resources in acquired licence areas; and
- 5) the potential to utilise existing tax losses that have not been recognised at acquisition date.

### Impairment testing of Goodwill

Goodwill has been assigned to the UK business segment, the level at which goodwill is monitored for internal management purposes. The UK business segment is considered the cash generating unit for the purpose of any impairment testing of this goodwill.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Company has undertaken an impairment test of goodwill as at 31 March 2015. The Group assessed whether goodwill was impaired by calculating fair value less cost to disposal ("FVLCD") using discounted future cash flows of the cash generating unit and comparing this to the total carrying value of the cash generating unit including goodwill.

FVLCD calculations are based on cash flows expected to be generated by projected oil production profiles (including incremental production projects) up to the expected cessation of production dates. Future operating and capital expenditure were based on management's assessment, and production and reserve profiles were based on proved and probable reserves as determined by internal estimates.

The calculation of FVLCD includes the following key assumptions:

- Future production volumes
- Crude oil prices
- Discount rate

Estimated future production volumes are based on detailed data for each of the Group's fields and take into account development plans for the fields which would be expected to be undertaken by a market participant.

The crude oil prices used are based on the forward oil price curve for five years followed by management's view of long term price (US\$85/bbl).

The post-tax discount rate in 2015 is 10.0 per cent. The period over which the Group has projected cash flows is in excess of five years and is considered to be appropriate by the Group as it is underpinned by estimates of reserves and resources.

It was determined that the carrying amount of goodwill is not impaired.

The Directors have considered the sensitivity of the key assumptions and have concluded that any possible changes that may be reasonably contemplated in these key assumptions would not result in the recoverable amount falling below the carrying value of goodwill.

## 11 Intangible exploration and evaluation assets

	£000
<b>Cost</b>	
At 1 April 2013	81,702
Additions	12,512
Changes in decommissioning	42
Licence relinquishments	(3,259)
At 31 March 2014	90,997
Additions	14,235
Acquisitions (note 9)	60,559
Transfer from intangible assets	2,374
Transfers to assets held for sale	(1,903)
Changes in decommissioning	143
Licence relinquishments	(224)
<b>At 31 March 2015</b>	<b>166,181</b>
<b>Amortisation and impairment</b>	
At 1 April 2013	—
Charge for the period	—
At 31 March 2014	—
Charge for the year	—
Impairment	15,182
<b>At 31 March 2015</b>	<b>15,182</b>
<b>Net book amount</b>	
At 31 March 2014	90,997
<b>At 31 March 2015</b>	<b>150,999</b>

Under the terms of the Secured Bond agreement, the Bondholders have a fixed and floating charge over these assets.

### Transfer from other intangible assets

An option to acquire a partial interest in PEDL 169 was acquired in the Dart acquisition (note 9). This option was exercised during the year. Upon exercise, the amount was transferred into exploration and evaluation assets.

### Licence relinquishments

Previously capitalised expenditure of £0.2 million in respect of licence PEDL 78-2 was written off during the year following the decision to relinquish this licence (2014: £3.3 million in respect of PEDLs 107, 116 and SSPL 1481).

### Impairment of exploration and evaluation assets

Due to the decline in the oil price, assets with conventional oil resources were tested for impairment. As a result of these tests, there was impairment of £15.2 million pre-tax (£9.0 post-tax) in the UK-conventional E&E assets (2014: £nil). The recoverable amount of the UK-conventional assets is £8.2 million.

In calculating this impairment, management used contingent resource estimates, internal cost estimates and assumptions with regard to future oil prices. The recoverable amount was based on management's estimate of value in use. The crude oil prices used are based on the forward oil price curve for five years followed by management's view of long term price (\$85/bbl). The pre-tax discount rate was 13.5%.

Changes to the inputs and assumptions in the next year may result in further impairment or a reversal of impairment.



# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 12 Property, plant and equipment

	Equipment used for exploration and evaluation £000	Freehold land £000	Buildings/ lease hold property improvements £000	Oil and gas properties £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>							
At 1 April 2013	179	866	539	134,750	683	1,053	138,070
Additions	–	–	359	4,098	106	18	4,581
Disposals	–	–	–	(30)	(89)	(15)	(134)
Acquisitions (note 9)	–	–	–	2,346	–	–	2,346
Changes in decommissioning	–	–	–	(2,001)	–	–	(2,001)
At 31 March 2014	179	866	898	139,163	700	1,056	142,862
Additions	–	258	54	5,069	248	126	5,755
Disposals	–	–	–	–	–	(128)	(128)
Acquisitions (note 9)	–	277	–	–	61	–	338
Transfers to assets held for sale	–	(277)	–	–	–	–	(277)
Changes in decommissioning	–	–	–	(2)	–	–	(2)
<b>At 31 March 2015</b>	<b>179</b>	<b>1,124</b>	<b>952</b>	<b>144,230</b>	<b>1,009</b>	<b>1,054</b>	<b>148,548</b>
<b>Depreciation and Impairment</b>							
At 1 April 2013	51	–	500	12,279	336	193	13,359
Charge for the year	20	–	196	13,550	163	160	14,089
Disposals	–	–	–	–	(49)	(15)	(64)
At 31 March 2014	71	–	696	25,829	450	338	27,384
Charge for the year	20	–	(60)*	12,749	167	156	13,032
Disposals	–	–	–	–	–	(128)	(128)
Impairment	–	–	–	3,946	–	–	3,946
<b>At 31 March 2015</b>	<b>91</b>	<b>–</b>	<b>636</b>	<b>42,524</b>	<b>617</b>	<b>366</b>	<b>44,234</b>
<b>Net book amount</b>							
At 31 March 2014	108	866	202	113,334	250	718	115,478
<b>At 31 March 2015</b>	<b>88</b>	<b>1,124</b>	<b>316</b>	<b>101,706</b>	<b>392</b>	<b>688</b>	<b>104,314</b>

\* Including in the charge for the year is an adjustment related to the prior year. The effect of the adjustment is not considered material.

Under the terms of the Secured Bond agreement, the Bondholders have a fixed and floating charge over these assets.

## 12 Property, plant and equipment continued

### Impairment of oil and gas properties

Due to the decline in the oil price, oil and gas properties were tested for impairment. As a result, an impairment charge of £3.9 million pre-tax (£1.6 million post-tax) was recognised in the 12 months to 31 March 2015 (2014: £nil). The impairment charge and recoverable amount of the CGUs where impairment was charged are set out below:

The recoverable values of CGUs were calculated based on management's estimate of the fair value less costs of disposal. The fair value is a level 3 fair value measurement, as defined in note 25. In calculating the recoverable value, management used internal production profiles based on proved and probable reserves estimates, internal cost estimates and assumptions with regard to future oil prices. The crude oil prices used are based on the forward oil price curve for five years followed by management's view of long term price (\$85/bbl). The post-tax discount rate was 10.0%.

	Impairment £000	Recoverable value £000
Gainsborough	1,381	15,258
Singleton	2,565	32,308

Changes to the inputs and assumptions in the next year may result in further impairment or a reversal of impairment.

## 13 Interest in joint arrangements

### Interests in joint operations

The Group, jointly with other participants, has an interest in PEDL 139 and PEDL 140.

On 4 February 2014, Total E&P UK Limited ("Total"), acquired a 40% interest in the UK Onshore PEDLs 139 and 140 located in the Gainsborough Trough in Lincolnshire. Under the agreement, Total agreed to fund a fully carried work programme of up to US\$46.5 million with a minimum commitment of US\$19.5 million. The Group is the operator of these licences. Following the acquisition of Dart, the Group's share in these PEDLs increased to 32%.

## 14 Inventories

	31 March 2015 £000	31 March 2014 £000
Oil Stock	400	795
Drilling materials	143	228
Maintenance materials	417	321
	960	1,344

# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 15 Trade and other receivables

	31 March 2015 £000	31 March 2014 £000
VAT recoverable	631	1,096
Trade debtors	3,641	5,962
Other debtors	2,401	2,798
Prepayments	1,478	1,547
	<b>8,151</b>	<b>11,403</b>

Trade receivables are non-interest bearing and are generally on 30 day terms. The carrying value of the Group's trade and other receivables as stated above is considered to be a reasonable approximation of their fair value.

The ageing of the financial assets (trade debtors and certain other debtors) is as follows:

	31 March 2015 £000	31 March 2014 £000
Not yet due	4,785	8,097
<b>Amounts overdue but not impaired:</b>		
Overdue by not more than three months	–	–
More than three months but not more than six months	–	–
More than six months but not more than one year*	–	155
	<b>4,785</b>	<b>8,252</b>

\* Outstanding amount relates to the receivables acquired as part of the Caithness acquisition.

## 16 Cash and cash equivalents

	31 March 2015 £000	31 March 2014 £000
Cash at bank and in hand	19,025	28,301
	<b>19,025</b>	<b>28,301</b>

The carrying value of the Group's cash and cash equivalents as stated above is considered to be a reasonable approximation of their fair value.

The Group only deposits cash surpluses with major banks that have acceptable credit ratings of "A" or better, with the exception of banks where the UK government is the major shareholder.

## Other financial assets – Restricted cash

	31 March 2015 £000	31 March 2014 £000
Restricted cash	2,097	–
	<b>2,097</b>	<b>–</b>

Restricted cash primarily relates to bank guarantees.

### 17 Assets classified as held for sale and discontinued operations

Certain assets acquired as part of the Dart Acquisition, namely the Rest of the World segment consisting of Indonesian and Australian assets, were acquired with the intention to divest all business and activities in all three countries. This decision was taken in line with the Group's strategy to focus on its core UK assets. Consequently, all assets and liabilities of Indonesia and Australia were classified as assets held for sale. The results of the Rest of the World segment are presented as a single amount in the statement of comprehensive income. Any gain/loss arising on the disposal of group's assets at fair value less costs to sell, is included in the net results from discontinued operations.

Indonesia was recognised at its fair value at the acquisition date and there has been no changes to that fair value since that date. Australia was valued at £nil at the acquisition date and no re-measurement has occurred in the subsequent period.

A significant part of the assets classified as held for sale at the date of the Dart acquisition had already been sold at the reporting date. The Group's management expects the sale of the remaining assets will complete during 2016. Assets held for sale were not allocated for segment reporting purposes. The Group has taken exemption from disclosing the subsidiaries' major classes of assets and liabilities and from further analysing net results or cash flows from discontinued operations because the disposal group has been acquired exclusively with a view to resale.

In addition, Forth Valley, which is part of the UK reporting segment and includes PEDL 133 and related assets and liabilities, was acquired as part of the Dart acquisition but not view to sale at the date of that acquisition. On 10 March 2015, the Group entered into a farm-out and purchase agreement with INEOS Upstream Limited, which included the entire interest of this licence. The major classes of assets and liabilities of Forth Valley, included in the assets classified as held for sale and the associated liabilities at the Balance Sheet date, are as follows:

	31 March 2015 £000
Intangible exploration and evaluation assets	1,903
Freehold land	277
Other receivables	1,657
Provisions	(4,148)
	(311)

The operations in Indonesia and Australia represent geographies the Group is exiting. As such, these areas have been classified as discontinued operations. The loss for the year before tax in respect of discontinued operations was £80 thousand (2014: £nil), which represents expenses incurred in the discontinued operations. There was no tax charged on this amount and none of this loss represents a loss as a result of measuring the non-current asset (or disposal group) at fair value less costs to sell.

### 18 Current liabilities

	31 March 2015 £000	31 March 2014 £000
<b>Trade and other payables:</b>		
Trade creditors	3,692	3,989
Employment related taxation	105	295
Accruals and other creditors	4,184	6,676
	7,981	10,960

The carrying values of each of the Group's financial liabilities included within current liabilities are considered to be a reasonable approximation of its fair value. All creditors are payable within one month and no creditors have been outstanding for longer than three months (2014: all within one month).



# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 19 Borrowings

	31 March 2015			31 March 2014		
	Within 1 year £000	Greater than 1 year £000	Total £000	Within 1 year £000	Greater than 1 year £000	Total £000
Bonds – secured*	5,310	83,294	88,604	4,948	87,186	92,134
Bonds – unsecured*	–	18,935	18,935	–	16,567	16,567
Total	5,310	102,229	107,539	4,948	103,753	108,701

\* Transaction costs of raising debt of £3.2 million (2014: £3.7 million) have been netted off against the liability.

### Bond issuance

#### Secured bonds

On 21 March 2013, the Company and Norsk Tillitsmann (“Bond Trustee”) entered into a Bond Agreement for the Company to issue up to US\$165.0 million secured bonds. These bonds were subsequently listed on Oslo Bors.

The Bond carries a coupon of 10% per annum (where interest is payable semi-annually in arrears) and semi-annual amortisation of 2.5% of the initial loan amount. Final maturity on the notes will be 22 March 2018.

The Bond Agreement contains certain representations, warranties and covenants customary for an instrument of this nature. Such covenants include the provision of financial and reporting information, compliance with environmental law, maintenance of financial ratios and certain restrictions on mergers, acquisitions, joint ventures, granting of security, disposals, issuances of loans, incurrence of financial indebtedness and on payments of dividends by the Company and its operating subsidiaries. The Bond Agreement also contains customary events of default, the occurrence of which allows The Bond Trustee (on behalf of the bond holders) to accelerate outstanding bonds and terminate the commitments. Under the terms of the Secured Bond agreement, the Bondholders have a fixed and floating charge over intangible exploration and evaluation assets and property, plant and equipment.

During March 2015, the Company repurchased 14,667,530 secured bonds resulting in a gain of £1.3 million.

#### Unsecured bonds

On 11 December 2013, the Company and Norsk Tillitsmann (“Bond Trustee”) entered into a Bond Agreement for the Company to issue US\$30.0 million unsecured bonds, issued at 96% of par. These bonds were subsequently listed on the Alternative bond market in Oslo.

The Bond carries a coupon of 10% per annum (where interest is payable semi-annually in arrears) and has a borrowing limit of US\$60.0 million. Final maturity on the notes will be 11 December 2018.

The Bond Agreement contains certain representations, warranties and covenants customary for an instrument of this nature. Such covenants include the provision of financial and reporting information, compliance with environmental law, maintenance of financial ratios and certain restrictions on mergers, acquisitions, joint ventures, granting of security, disposals, issuances of loans, incurrence of financial indebtedness and on payments of dividends by the Company and its operating subsidiaries. The Bond Agreement also contains customary events of default, the occurrence of which allows The Bond Trustee (on behalf of the bond holders) to accelerate outstanding bonds and terminate the commitments.

During March 2015, the Company repurchased 1,000,000 unsecured bonds resulting in a gain of £0.1 million.

## 20 Other liabilities

	31 March 2015 £000	31 March 2014 £000
At 1 April	6,804	8,208
Warrants exercised during year	(1,117)	(9,508)
Revaluation (gain)/loss	(5,338)	8,104
<b>As at 31 March</b>	<b>349</b>	<b>6,804</b>

During the year the Group issued 1,500,000 Ordinary Shares with a nominal value of 10p each upon the exercise of £0.8 million warrants (31 March 2014: 9,975,657 shares issued).

Warrants issued can be exercised in three different ways and, although the cost to the Group would be the same under each exercise option, these warrants do not qualify as equity instruments under IAS 39 due to the variable number of shares that would be issued in each case. Accordingly they have been accounted for as financial liabilities.

All warrants vested on grant and accordingly the key assumptions made in arriving at the Black-Scholes valuations were: share price on date of valuation, adjusted for subsequent consolidations where appropriate and the length of time for which the warrants were expected to remain exercisable. A risk free interest rate of 1.09% and an implied volatility of 35% were used in valuing the warrants at the time of grant, and an interest rate of 0.67% and an implied volatility of 60.81% at 31 March 2015. It was also assumed that no dividends would be paid during the life of the warrants.

The movement in warrants during the period was as follows:

	No.	Weighted average exercise price (pence)
At 1 April 2013	21,286,646	55.8
Granted in year	—	—
Lapsed in year	—	—
Exercised in the year	12,286,646	55.8
<b>Outstanding at 31 March 2014</b>	<b>9,000,000</b>	<b>55.8</b>
<b>Exercisable at 31 March 2014</b>	<b>9,000,000</b>	<b>55.8</b>
Granted in year	—	—
Lapsed in year	—	—
Exercised in the year	1,500,000	55.8
<b>Outstanding at 31 March 2015</b>	<b>7,500,000</b>	<b>55.8</b>
<b>Exercisable at 31 March 2015</b>	<b>7,500,000</b>	<b>55.8</b>

The weighted average remaining contractual life for the warrants outstanding as at 31 March 2015 is 2.75 years (2014: 3.75 years).

# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 21 Provisions for liabilities and charges

	2015			2014		
	Decommissioning £000	Other £000	Total £000	Decommissioning £000	Other £000	Total £000
At the beginning of the year	28,188	60	28,248	28,930	75	29,005
Acquisitions (note 9)	4,076	–	4,076	781	–	781
Utilisation of provision	(74)	(21)	(95)	(153)	(15)	(168)
Unwinding of discount	604	–	604	562	–	562
Reassessment of decommissioning provision/liabilities	141	–	141	(1,932)	–	(1,932)
Transfers to liabilities classified as held for sale	(4,148)	–	(4,148)	–	–	–
At the end of the year	28,787	39	28,826	28,188	60	28,248

### Decommissioning provision

Provision has been made for the discounted future cost of restoring fields to a condition acceptable to the relevant authorities. The abandonment of the fields is expected to happen at various times between 5 and 29 years from the period end (2014: 1 to 35 years). These provisions have been created based on the Groups' internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

The risk free rate range of 0.26% to 2.54% is used in the calculation of the provision as at 31 March 2015 (2014: Risk free rate range of 0.25% to 3.02%).

## 22 Contingent deferred consideration

The deferred consideration amount relates to the amount payable by a wholly owned subsidiary of the Group (acquired as part of the Dart acquisition), GP Energy Ltd, to its earlier joint venture partner in certain licences contingent upon various exploration and development success outcomes. Should the relevant contingent outcomes materialise, the amounts are expected to fall due in two equal tranches on each of 31 July 2021 and 30 June 2023.

## 23 Pension scheme

The Group operates a defined contribution pension scheme. The pension charge for the year ended 31 March 2015 represents contributions payable by the Group to pension funds and amounted to £933,000 (2014: £760,000).

Contributions amounting to £3,000 (2014: £321,958) were accrued at 31 March 2015 and are included in creditors.

## 24 Commitments

The Group's capital commitments comprised:

Capital commitments:	31 March 2015 £000	31 March 2014 £000
Conventional capex	2,659	–
Obligation under 13 <sup>th</sup> licensing round	–	1,320
Total capital commitments	2,659	1,320

### Operating lease commitments:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Minimum lease payments under operating leases recognised in profit for the year	2,180	1,919
The Group had future minimum lease payments under non-cancellable operating leases as follows:		
– within 1 year	812	505
– after 1 year but not more than 5 years	1,133	1,244
Total	1,945	1,749

## 25 Financial instruments and risk management

### Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the Balance Sheet, other than those with carrying amounts that are a reasonable approximation of their fair values, are as follows.

	Carrying amount		Fair value	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
<b>Amortised cost</b>				
Borrowings <sup>1</sup>	<b>107,539</b>	108,701	<b>96,829</b>	112,326

1 The fair value of borrowings (hierarchy level 1) have been calculated by reference to quoted market prices for these specific liabilities. In the prior year due to lack trading activity around the period end, the fair value was calculated by discounting the expected future cash flows at prevailing market interest rates for instruments with substantially the same terms and characteristics (hierarchy level 2).

### Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For financial instruments there are no non-recurring fair value measurements nor have they been any transfers between levels of the fair value hierarchy.

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at the reporting dates as follows:

### Financial assets and liabilities measured at fair value

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>At 31 March 2015</b>				
<b>Financial assets</b>				
<i>Derivative financial instruments</i>	–	<b>1,574</b>	–	<b>1,574</b>
<b>Total</b>	–	<b>1,574</b>	–	<b>1,574</b>
<b>Financial liabilities</b>				
<i>Derivative financial instruments</i>	–	<b>201</b>	–	<b>201</b>
Warrants	–	<b>349</b>	–	<b>349</b>
Contingent consideration	–	–	<b>5,367</b>	<b>5,367</b>
<b>Total</b>	–	<b>550</b>	<b>5,367</b>	<b>5,917</b>
<b>At 31 March 2014</b>				
<b>Financial liabilities</b>				
<i>Derivative financial instruments</i>	–	50	–	50
Warrants	–	6,804	–	6,804
<b>Total</b>	–	6,854	–	6,854

# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 25 Financial instruments and risk management continued

### Fair value of derivative financial instruments

The fair values of the commodity price options at 31 March 2015 were provided by counterparties with whom the trades have been entered into. These consist of Asian style put and call options to sell/buy oil. The options are valued using a Black-Scholes methodology; however, certain adjustments are made to the spot-price volatility of oil prices due to the nature of the options. These adjustments are made either through Monte Carlo simulations or through statistical formulae. The inputs to these valuations include the price of oil, its volatility, and risk free interest rates.

The warrants are valued using Black-Scholes method, which incorporates the inputs as detailed in note 20.

### Fair value of contingent consideration

Inputs that may have a significant effect on the recorded fair value have been identified as the change in the discount rate used to discount future cash flows and other unobservable factors such as the time period over which this monies are expected to be paid, which is based on internal estimates.

Management is regularly assessing possible alternatives for those significant unobservable inputs described above and determines their impact on the total fair value. The fair value of the deferred consideration is sensitive to a reasonable change in the time assumption and the discount rate used to discount future cash flows.

### Derivative financial instruments

In the current year the Group has entered into certain put/call options and swaps in order to manage its exposure to commodity price risk associated with sales of oil in US dollars.

The outstanding contracts as at 31 March 2015 were as follows:

							Fair value at 31 March 2015 £000
Term	Contract amount	Contract price/rate	Contract price/rate	Contract price/rate	Contract price/rate	Contract price/rate	
		Sell Put	Buy Put	Sell Call	Buy Call		
US dollar collar	Apr – Jun 2015	75k bbls oil	US\$70/bb	US\$84/bb	US\$90/bb	US\$100/bb	695
US dollar puts	Apr – Jun 2015	45k bbls oil		US\$55/bb			93
US dollar collar	Jul – Sept 2015	75k bbls oil	US\$70/bb	US\$84/bb	US\$88.25/bb	US\$103.25/bb	443
US dollar puts	Jul – Sept 2015	45k bbls oil		US\$55/bb			129
US dollar collar	Oct – Dec 2015	90k bbls oil		US\$55/bb	US\$56/bb	US\$80/bb	(201)

							Fair value at 31 March 2015 £000
Term	Contract amount	Contract price/rate	Contract price/rate	Contract price/rate	Contract price/rate	Contract price/rate	
		Sell Swap			Buy Call		
US dollar collar	Jan – Mar 2016	90k bbls oil		US\$64.25/bb		US\$84.24/bb	214

The above derivatives mature over the period from 1 April 2015 to 31 March 2016. During the year to 31 March 2015 oil hedges for 757 thousand barrels matured generating a net gain of £6.2 million.

The outstanding contracts as at 31 March 2014 were as follows:

							Fair value at 31 March 2014 £000
Term	Contract amount	Contract price/rate	Contract price/rate	Contract price/rate	Contract price/rate	Contract price/rate	
		Buy Put	Sell Call	Buy Call			
GB pound puts	Apr – Jun 2014	60k bbls oil	GBP55.70/bbl	–	–	–	2
US dollar puts	Apr – Jun 2014	130k bbls oil	US\$90/bbl	–	–	–	3
US dollar calls	Jul – Sept 2014	200k bbls oil	US\$90/bbl	US\$115.25/bbl	US\$125/bbl		(53)
US dollar calls	Oct – Dec 2014	200k bbls oil	US\$90/bbl	US\$115/bbl	US\$125/bb		(2)

The derivatives outstanding at 31 March 2014 matured over the period from 1 April 2014 to 31 December 2014. During the year to 31 March 2014 oil hedges for 972 thousand barrels matured generating a net cost of £2.1 million.



## 25 Financial instruments and risk management continued

### Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise borrowings, warrants and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations, including the Group's capital expenditure programme, and to fund acquisitions. The Group has trade and other receivables and cash and cash equivalents that are derived directly from its operations and restricted cash. The Group also enters into derivative transactions.

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the Group's financial targets while protecting future financial security. The Group is exposed to the following risks:

- Market risk, including commodity price and foreign currency risks
- Credit risk
- Liquidity risk

The Group is not exposed to interest rate risk as at 31 March 2015 as all Group's borrowings are at a fixed rate.

Management reviews and agrees policies for managing each of these risks which are summarised below. It is the Group's policy that all transactions involving derivatives must be directly related to the underlying business of the Group. The Group does not use derivative financial instruments for speculative exposures.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market factors, such as commodity price and foreign currency.

The sensitivity analyses below have been prepared on the basis that the amount of net debt and the proportion of financial instruments in foreign currencies are all constant and that financial derivatives are held to maturity. The sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

The following assumptions have been made in calculating the sensitivity analysis:

- The sensitivity of the relevant profit before tax item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2015 and 31 March 2014; and
- The impact on equity is the same as the impact on profit before tax and ignores the effects of deferred tax, if any.

### Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices (primarily crude oil) on the mix of oil and gas products it produces. The Group's policy is to manage these risks through the use of derivative financial instruments.

The following table summarises the impact on profit before tax for changes in commodity prices on the fair value of derivative financial instruments. The impact on equity is the same as the impact on profit before tax as these derivative financial instruments have not been designated as hedges and are classified as held-for-trading.

The analysis is based on derivative contracts existing at Balance Sheet date, the assumption that crude oil price moves 10% over all future periods, with all other variables held constant.

	Increase/(decrease) in profit before tax for the year ended and to equity as at	
	31 March 2015 £000	31 March 2014 £000
10% increase in the price of oil	76	(8)
10% decrease in the price of oil	(76)	8

## Consolidated Financial Statements – Notes

As at 31 March 2015 continued

### 25 Financial instruments and risk management continued

#### Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the UK pound sterling, the functional currency of all Group companies. The Group's sales are denominated in US dollars, and around 5% of costs are denominated in currencies other than the functional currencies of the entities within the Group, primarily US dollars.

The following table summarises the impact on profit before tax for changes in the US dollar/pound sterling exchange rate on the financial assets and liabilities in the Balance Sheet at period end, principally relating to the Group's borrowings which are denominated in US dollars. The impact on equity is the same as the impact on profit before tax.

The analysis is based on the assumption that the pound moves 10%, with all other variables held constant.

	Increase/(decrease) in profit before tax for the year ended and to equity as at	
	31 March 2015 £000	31 March 2014 £000
10% (2014: 10%) strengthening of the pound against the US dollar	8,987	7,938
10% (2014: 10%) weakening of the pound against the US dollar	(8,987)	(7,938)

#### Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy to assess the credit risk of new customers before entering contracts. Under this policy, each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank and trade references.

The exposure to credit risk from credit sales is not considered significant given the small number of well-established credit customers and zero historic default rate.

At 31 March 2015, the Group had 2 customers (2014: 2) that owed the Group more than £2 million each and accounted for approximately 89% (2014: 83%) of all receivables owing. The need for impairment is analysed at each reporting date on an individual basis for major clients.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and restricted cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent other than if the UK government is a majority shareholder. £10.1 million (2014: £28.3 million) of cash and cash equivalents were held with a single institution.

Refer to note 15 for analysis of trade receivables ageing.

## 25 Financial instruments and risk management continued

### Liquidity risk

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March based on contractual undiscounted payments:

	On demand £000	< 1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
<b>At 31 March 2015</b>						
Borrowings	–	<b>16,442</b>	<b>15,891</b>	<b>92,317</b>	<b>22,426</b>	<b>147,076</b>
Trade and other payables	–	<b>3,292</b>	–	–	–	<b>3,292</b>
Warrants	–	<b>349</b>	–	–	–	<b>349</b>
Deferred contingent consideration	–	–	–	–	<b>9,500</b>	<b>9,500</b>
Derivative financial instruments						
Commodity price derivatives	–	<b>201</b>	–	–	–	<b>201</b>
	–	<b>20,284</b>	<b>15,891</b>	<b>92,317</b>	<b>31,926</b>	<b>160,418</b>
<b>At 31 March 2014</b>						
Borrowings	–	16,181	15,708	15,178	108,271	155,338
Trade and other payables	–	3,989	–	–	–	3,989
Warrants	–	6,804	–	–	–	6,804
Derivative financial instruments						
Commodity price derivatives	–	50	–	–	–	50
	–	27,024	15,708	15,178	108,271	166,181

Management considers that the Group has adequate current assets and forecast cash from operations to manage liquidity risks arising from current liabilities and non-current liabilities.

### Capital management

The Group manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Group's funding needs are met through a combination of debt and most recently equity (2014: funding requirements met through a combination of debt and equity) and adjustments are made in light of changes in economic conditions. The Group's strategy is to maintain ratios in line with covenants associated with the issued bonds.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group includes within net debt, interest bearing bank loans less cash and cash equivalents and restricted cash. Capital includes share capital, share premium, other reserves and accumulated losses.

# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 26 Share capital

On 31 December 2007 the Company completed a reverse takeover whereby Island Gas Limited became a wholly-owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the Ordinary Share capital of the combined entity (the "Reverse").

In accordance with the required accounting for a reverse, the nominal value of the Company's share capital is not reflected in the Group's consolidated equity. For the purposes of the consolidated accounts share capital was recorded at the date of the Reverse at a value equal to the deemed cost of the Reverse, being the adjusted market value of the Company as last quoted immediately prior to the announcement of the Reverse, plus the equity of IGL; the effective acquiring Company.

	Ordinary Shares	
	Nominal value No.	£000
<b>Issued and fully paid</b>		
1 April 2013, Ordinary Shares of 10p each	186,535,639	18,653
22 April 2013 shares issued at a price of 77p each	475,002	48
22 June 2013 shares issued at a price of 55.8p each	3,000,000	300
23 July 2013 shares issued at a price of 83p each	70,934	7
26 July 2013 shares issued at a price of 10p each	2,975,656	297
15 August 2013 shares issued at a price of 55.8p each	2,000,000	200
22 October 2013 shares issued at a price of 101p each	87,696	9
5 December 2013 shares issued at a price of 115p each	7,488,301	749
22 January 2014 shares issued at a price of 55.8p each	2,000,001	200
22 January 2014 shares issued at a price of 101p each	91,533	9
31 March 2014, Ordinary Shares of 10p each	204,724,762	20,472
15 April 2014 shares issued at a price of 55.8p each	1,500,000	150
22 April 2014 shares issued at a price of 108p each	91,239	9
23 July 2014 shares issued at a price of 117p each	69,404	7
16 October 2014 shares issued at a price of 74.75p each	89,997,626	9,000
22 October 2014 shares issued at a price of 77p each	99,100	10
22 January 2015 shares issued at a price of 30.25p each	442,431	44
<b>31 March 2015, Ordinary Shares of 10p each</b>	<b>296,924,562</b>	<b>29,692</b>

Accordingly, the Group share capital account comprised:

	£000
<b>Share capital account</b>	
At 1 April 2013	15,407
Shares issued during the year	1,819
At 31 March 2014	17,226
Shares issued during the year	9,220
<b>At 31 March 2015</b>	<b>26,446</b>

## 27 Share premium and capital redemption reserve account

### Share premium account

The share premium account of the Group arises from the capital that the Company raises upon issuing shares for consideration in excess of the nominal value of the shares, net of the costs of issuing the new shares. During the year the Company issued 92,199,800 Ordinary Shares at a nominal value of 10p each (2014: 18,189,123 shares issued). The prices of each of these issuances are disclosed in note 26. The cost of these issues was £1.9 million (2014: £nil million). Together these events resulted in a net movement in the Share Premium reserve of £58.5 million (2014: £11.6 million).

### Capital redemption reserve

During the year ended 31 March 2013 the Company repurchased 100% of its outstanding deferred shares which had been issued with a nominal value of 40p each. These deferred shares were subsequently cancelled by the Company. This resulted in a reduction in share capital and a corresponding recognition of a Capital Redemption Reserve of £41.2 million.

## 28 Other reserves

Other reserves are as follows:

	Warrant/Share Plan Reserves £000	Treasury Shares £000	Capital Contributions £000	Total £000
Balance 1 April 2013	455	(1,299)	47	(797)
Employee share plans – cost under IFRS 2	577	–	–	577
Employee share plans – shares issued under the SIP	–	(447)	–	(447)
Balance 31 March 2014	1,032	(1,746)	47	(667)
Employee share plans – cost under IFRS 2	2,657	–	–	2,657
Employee share plans – shares issued under the SIP	–	(239)	–	(239)
Lapse of LTIPs under the employee share plan	(487)	–	–	(487)
<b>Balance 31 March 2015</b>	<b>3,202</b>	<b>(1,985)</b>	<b>47</b>	<b>1,264</b>

### Employee share plans – Equity settled

Details of the share options under employee share plans outstanding are as follows:

	LTIP		VCP	
	Number of Options	Weighted average exercise price (pence)	Number of Units	Weighted average exercise price (pence)
Outstanding at 1 April 2013	3,179,027	–	–	–
Exercisable at 1 April 2013	–	–	–	–
Granted during the year	466,203	–	–	–
Forfeited during the year	(48,730)	–	–	–
Lapsed during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at 31 March 2014	3,596,500	–	–	–
Exercisable at 31 March 2014	–	–	–	–
Granted during the year	2,401,238	–	80	–
Forfeited during the year	–	–	–	–
Lapsed during the year	(2,147,485)	–	–	–
Exercised during the year	–	–	–	–
<b>Outstanding at 31 March 2015</b>	<b>3,850,253</b>	<b>–</b>	<b>80</b>	<b>–</b>
<b>Exercisable at 31 March 2015</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

### Long Term Incentive Plan 2011 (“2011 LTIP”)

In November 2011 the Company adopted a Long Term Incentive Plan scheme for certain key employees of the Group. Under the LTIP, participants can each be granted nil cost options over up to 300% of remuneration for the Initial Award and up to 150% of remuneration for the Annual Award (subject to an overall plan limit of 10% of the issued share capital of the Company for all participants). The LTIP has a three year performance period and awards vest subject to share price performance exceeding the Company’s weighted average cost of capital of 10%. On a change of control prior to the third anniversary of the grant date, a proportion of the options that vest will take into account items such as the time the Option has been held by the participant and the performance achieved in the period from the grant date. Other than on a change of control, 100% of vested awards can be exercised and sold on vesting.

There were no LTIPs exercised during the year. The LTIPs outstanding at 31 March 2015 had both a weighted average remaining contractual life and maximum term remaining of 8.6 years (2014: 7.8 years). The fair value of the awards granted under the plan are measured at grant date using a Monte Carlo Simulation Model.

The total charge for the year was £0.73 million (2014: £0.29 million). Of this amount, £0.32 million was capitalised (2014: £0.1 million) and £0.41 million was charged to the Income Statement (2014: £0.2 million).



# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 28 Other reserves continued

### Value Creation Plan ("2014 VCP")

In July 2014, the Company adopted the IGas 2014 Value Creation Plan ("VCP"). Under the VCP, performance units will be granted which convert into a certain number of shares at end of three year performance period. The VCP requires creation of shareholder value in excess of threshold hurdle of 10% annualised share price growth from 1 April 2014. If this hurdle is met at the end of performance period, participants will receive in aggregate 12.5% of the shareholder value created above the hurdle. 50% of this value will vest in shares of equivalent value at end of the performance period and 25% at the end of each of the following two years. The awards granted under the VCP scheme are measured at grant date using a Monte Carlo Simulation Model.

For the VCP, when significant additional capital is raised (more than 10% of the Company's issued share capital) following the grant date, a separate tranche of the VCP award is created with its own threshold price and share capital. Therefore any additional shares issued will have to be considered separately in determining the VCP accounting expense for periods following this capital event.

The total charge for the year was £1.72 million. Of this amount, £0.82 million was capitalised and £0.90 million was charged to the Income Statement.

The inputs into the Monte Carlo models were as follows:

	2011 LTIP				VCP	
	Granted Nov 11	Granted Jun 12	Granted Sep 13	Granted Jul 14	Granted Jul 14 (pre capital issue)	Granted Jul 14 (capital issue relating to Dart acquisition – Oct 14)
Share price on grant	50.5p	66.5p	102.0p	112.0p	112.0p	75.0p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	35%	31%	43%	47%	47%	47%
Expected life	6.5 years	6.5 years	6.5 years	2.7 years	2.7 years	2.5 years
Risk-free rate	0.70%	0.35%	0.85%	1.28%	1.28%	0.80%
Expected dividends	0%	0%	0%	0%	0%	0%
Weighted average fair value of awards/units granted	23.12p	26.72p	50.90p	51.55p	£64,989	£22,447

### Other share based payments

In 2013, the Group adopted an Inland Revenue approved Share Investment Plan ("SIP") for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to acquire up to £125 (or 10% of salary, if less) worth of IGas Ordinary Shares per month or £1,500 per annum. Under the SIP employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one or two-for-one basis.

The total charge for the year was £0.2 million (2014: £0.1 million). Of this amount, £0.02 million was capitalised (2014: £0.02 million) and £0.18 million was charged to the Income Statement (2014: £0.12 million).

There were no other share based payments granted during the year (31 March 2014: 190,710, with a fair value of £0.17 million). There were no options exercised during the year. The options outstanding at 31 March 2015 had both a weighted average remaining contractual life and a maximum term of 7.6 years (31 March 2014: 8.6 years).

### Treasury shares

The Treasury shares of the Group have arisen in connection with the shares issued to the IGas Employee Benefit Trust, of which the Company is the sponsoring entity. The value of such shares is recorded in the share capital and share premium accounts in the ordinary way and is also shown as a deduction from equity in this separate reserve account. There is therefore no net effect on shareholders' funds. During the year ended to 31 March 2015 there were no shares issued to the Employee Benefit Trust (2014: nil).

### Capital contribution

The capital contribution relates to cash received following the acquisition of IGAS Exploration UK Limited.

## 29 Related party transactions

The information below sets out transactions and balances between the Group and related parties in the normal course of business for the year ended 31 March 2015.

### a) With Group Companies

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

### b) With Directors

The Directors of the Company are considered to be the only key management personnel as defined by IAS 24 – Related Party Disclosures. Transactions with key management personnel were as follows:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Short-term employee benefits (including related social security costs)	1,485	2,039
Share plan	2,217	186
	<b>3,702</b>	<b>2,225</b>

Short-term employee benefits: These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Share plan: This is the cost to the Group of Directors' participation in LTIPs and VCP plans, as measured by the fair value of LTIPs and VCPs granted, accounted for in accordance with IFRS 2.

Further details regarding the remuneration of the Directors of the Group are disclosed in note 5.

C McDowell currently holds US\$ 0.27 million (2014: US\$ 0.29 million) bonds issued in the Group. These bonds earn interest at 10% per annum. In the year ended 31 March 2015, the interest paid was US \$0.03 million (2014: US\$ 0.03 million). Accrued interest at 31 March 2015 amounted to US\$0.8 thousand (31 March 2014: US\$0.8 thousand).

F Gugen currently holds no bonds at 31 March 2015 (2014: US\$2.80 million bonds) issued by the Group. Bonds earn interest at 10% per annum. In the year ended 31 March 2015, interest paid was US\$0.2 million (2014: US\$ 0.4 million). There was no interest accrued at 31 March 2015 (31 March 2014: US\$7.8 thousand).

# Consolidated Financial Statements – Notes

As at 31 March 2015 continued

## 30 Subsequent events

### Farm-out

On 10 March 2015, the Group entered into a farm-out and purchase agreement with INEOS Upstream Limited (“INEOS”). The transaction completed on 7 May 2015. INEOS acquired a 50% interest in IGas’ UK Onshore PEDLs 147, 184, 189 and 190 and a 60% interest in IGas’ UK Onshore PEDLs 145, 193 and EXL 273, (the “Bowland Licences”) in the North West of England. In addition, INEOS acquired IGas’ entire working interest in the acreage held under PEDL 133 in Scotland. In the East Midlands, INEOS also has the option to acquire 20% in PEDLs 012 and 200. INEOS will assume operatorship of PEDLs 145 and 193 and EXL 273. IGas will retain operatorship of all other Bowland Licences.

In return, INEOS made a cash payment of £30 million on completion of the deal and provided a fully funded future work programme of up to £138 million gross, of which IGas’ share is expected to amount to approximately £65 million.

PEDL 133 was acquired in the period as part of the Dart acquisition (note 8), for which E&E assets are recognised on a provisional basis. Based on the provisional value attributed to PEDL 133, the transaction may result in a gain on sale of that licence; however, due to the uncertainty of the provisional fair values of E&E assets, the potential gain on sale cannot currently be reliably estimated.

### Restructuring

On 8 May 2015, the Group announced that it had undertaken a review of its cost base. The process included working with suppliers to make meaningful savings across the business. The Group also confirmed that it made the decision to reduce the size its workforce and number of consultants employed. Overall, there is expected to be headcount reductions of more than 25% including the closure of the former Dart office in Stirling, Scotland. The anticipated cost of this restructuring is expected to be c.£2.8 million which will be incurred in 2015/16. These costs include those relating to all payments to directors and persons discharging managerial responsibilities where employment has been, or is expected to be, terminated in connection with the restructuring, including Andrew Austin whose employment ended on 31 May 2015.

As at 31 May 2015, share options and units previously granted to Andrew Austin under the Company’s Long Term Incentive Plan (LTIP) and the Value Creation Plan (VCP) forfeited, none of which having vested or become exercisable prior to this date. This resulted in a release of prior charges under IFRS 2 – credit to the Income Statement of £0.49 million, credit against exploration and evaluation assets of £0.52 million and a charge to the Share based payment reserve of £1.01 million.

### Divestment

On 20 May 2015, the Group (via its subsidiary Dart Energy International Limited) signed a Sale and Purchase Agreement (“SPA”) with NuEnergy Gas Limited to acquire 100% of the issued share capital of Dart Energy (Indonesia) Holdings Pte Ltd (“Dart Indonesia”) for a cash consideration of US\$1 million, the amount held at the Balance Sheet date.

### Hedging

Between April and June 2015, the Group entered into new hedging arrangements by acquiring a series of swaps, put and call options at zero cost for c.375,000 barrels over the period to September 2016.

### Issued shares

On 22 April 2015, the Company issued 479,160 Ordinary 10p shares in relation to the Group’s SIP scheme.

## Parent Company Financial Statements – Directors' Statement of Responsibilities in Respect Thereof

The Directors are responsible for preparing the Annual Report and Parent Company Financial Statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union ("IFRSs").

Under Company Law the Directors must not approve the Company Financial Statements unless they are satisfied that they present fairly the financial position of the Parent Company and its financial performance and cash flows for that period. In preparing the Parent Company Financial Statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8: Accounting policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Parent Company's financial position and financial performance;
- state that the Parent Company has complied with IFRSs, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the accounts on a going concern basis unless, having assessed the ability of the Parent Company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements and, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, will continue to adopt the going concern basis in preparing the accounts.

# Parent Company Statement of Comprehensive Income

For the year ended 31 March 2015

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
<b>(Loss)/profit for the year</b>	<b>(12,022)</b>	17,889
Other comprehensive income for the year	—	—
<b>Total comprehensive (loss)/profit for the year</b>	<b>(12,022)</b>	17,889



# Parent Company Balance Sheet

As at 31 March 2015

	Notes	31 March 2015 £000	31 March 2014 £000
<b>Non-current assets</b>			
Investments in subsidiaries	2	<b>373,833</b>	255,401
Property, plant and equipment	3	<b>269</b>	369
		<b>374,102</b>	255,770
<b>Current assets</b>			
Trade and other receivables	4	<b>46,480</b>	45,453
Cash and cash equivalents	5	<b>10,772</b>	16,655
		<b>57,252</b>	62,108
<b>Current liabilities</b>			
Trade and other payables	6	<b>(118,920)</b>	(55,973)
Borrowings	8	<b>(5,310)</b>	(4,948)
Other liabilities	9	<b>(349)</b>	(6,804)
		<b>(124,579)</b>	(67,725)
<b>Net current liabilities</b>		<b>(67,327)</b>	(5,617)
<b>Total assets less current liabilities</b>		<b>306,775</b>	250,153
<b>Non-current liabilities</b>			
Borrowings	8	<b>(102,229)</b>	(103,753)
		<b>(102,229)</b>	(103,753)
<b>Net assets</b>		<b>204,546</b>	146,400
<b>Capital and reserves</b>			
Called up share capital	12	<b>29,692</b>	20,472
Share premium account	13	<b>121,355</b>	62,825
Capital redemption reserve	13	<b>64,882</b>	64,882
Merger reserve	14	<b>22,222</b>	22,222
Other reserves	15	<b>1,264</b>	(667)
Accumulated deficit		<b>(34,869)</b>	(23,334)
<b>Shareholders' funds</b>		<b>204,546</b>	146,400

These Financial Statements were approved and authorised for issue by the Board on 8 July 2015 and are signed on its behalf by:

**Stephen Bowler**  
Chief Executive Officer

**John Blaymires**  
Chief Operating Officer

# Parent Company Statement of Changes in Equity

For the year ended 31 March 2015

	Called up share capital (note 12) £000	Share premium account (note 13) £000	Capital redemption reserve (note 13) £000	Merger reserve (note 14) £000	Other reserves (note 15) £000	Accumulated deficit £000	Total £000
<b>Balance at 1 April 2013</b>	<b>18,653</b>	<b>41,639</b>	<b>64,882</b>	<b>22,222</b>	<b>(797)</b>	<b>(41,223)</b>	<b>105,376</b>
<b>Changes in equity for the year ended 31 March 2014</b>							
Total comprehensive profit for the year	—	—	—	—	—	17,889	17,889
Employee share plans (note 15)	—	—	—	—	130	—	130
Warrants exercised (note 9)	—	9,508	—	—	—	—	9,508
Issue of shares	1,819	11,678	—	—	—	—	13,497
<b>Balance at 31 March 2014</b>	<b>20,472</b>	<b>62,825</b>	<b>64,882</b>	<b>22,222</b>	<b>(667)</b>	<b>(23,334)</b>	<b>146,400</b>
<b>Changes in equity for the year ended 31 March 2015</b>							
Total comprehensive loss for the year	—	—	—	—	—	(12,022)	(12,022)
Employee share plans (note 15)	—	—	—	—	2,418	—	2,418
Lapse of LTIPs under the employee share plan	—	—	—	—	(487)	487	—
Warrants exercised (note 9)	—	1,117	—	—	—	—	1,117
Issue of shares	9,220	57,413	—	—	—	—	66,633
<b>Balance at 31 March 2015</b>	<b>29,692</b>	<b>121,355</b>	<b>64,882</b>	<b>22,222</b>	<b>1,264</b>	<b>(34,869)</b>	<b>204,546</b>

# Parent Company Cash Flow Statement

For the year ended 31 March 2015

	Notes	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
<b>Operating activities:</b>			
(Loss)/profit for the year		<b>(12,022)</b>	17,889
Depreciation, depletion and amortisation		<b>100</b>	87
Share based payment charge		<b>556</b>	75
Finance income		<b>(20,386)</b>	(18,587)
Finance costs		<b>29,853</b>	22,320
Decrease in trade and other receivables		<b>639</b>	150
Increase/(decrease) in trade and other payables		<b>19,857</b>	(962)
<b>Net cash from operating activities</b>		<b>19,857</b>	20,972
<b>Investing activities</b>			
Acquisition of property, plant and equipment		–	(399)
Acquisition of subsidiaries		<b>(90)</b>	–
Loans granted to subsidiaries**		–	(26,543)
Interest received		<b>31</b>	44
<b>Net cash used in investing activities</b>		<b>(59)</b>	(26,898)
<b>Financing activities</b>			
Cash proceeds from issue of Ordinary Share Capital	13	<b>997</b>	4,451
Share issue costs	13	<b>(1,882)</b>	–
Interest paid		<b>(11,540)</b>	(10,458)
Cash proceeds from loans and borrowings*		–	33,724
Loan issue costs		–	(3,690)
Repayment of loans and borrowings		<b>(13,688)</b>	(5,128)
<b>Net cash (used in)/from financing activities</b>		<b>(26,113)</b>	18,899
Net (decrease)/increase in cash and cash equivalents in the year		<b>(7,575)</b>	12,973
Net foreign exchange difference		<b>1,692</b>	86
Cash and cash equivalents at the beginning of the year		<b>16,655</b>	3,596
<b>Cash and cash equivalents at the end of the year</b>	5	<b>10,772</b>	16,655

\* 31 March 2014 – Cash proceeds from loans and borrowings are shown net and consists of gross proceeds from bond borrowings of £126.2 million less repayment of Macquarie loan of £89.7 million and hedges and early cancellation fees of £2.8 million.

\*\* 31 March 2014 – Loan repaid was not settled in cash (see note 2).

# Parent Company Financial Statements – Notes

As at 31 March 2015

## 1 Accounting policies

### (a) Basis of preparation of Financial Statements

The Parent Company Financial Statements of IGas Energy plc (the “Company”) have been prepared in accordance with International Financial Reporting Standards, adopted for use by the European Union (“IFRSs”) as they apply to the Company for the year ended 31 March 2015, and with the Companies Act 2006. The accounts were approved by the board and authorised for issue on 8 July 2015. IGas Energy plc is a public limited Company incorporated, registered in England and Wales and is listed on the Alternative Investment Market (“AIM”).

The Company’s Financial Statements are presented in UK pound sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

As a Consolidated Income Statement is published in this Annual Report, a separate Income Statement for the Company is not presented within these Financial Statements as permitted by Section 408 of the Companies Act 2006.

During the year, the Company adopted the following new and amended IFRS which were applicable to the Company’s activities as of 1 April 2014.

		Effective date*
International Accounting Standards (IFRS/IAS):		
IAS 32	IAS 32 – Amendments to IAS 32 – Offsetting Financial assets and Financial liabilities – These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The Company has concluded that these amendments have no impact on the Financial Statements.	1 January 2014
IAS 36	IAS 36 – Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial assets disposal – These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The Company has considered the effect of this amendment and concluded that it has no impact on the disclosures in the Financial Statements.	1 January 2014
IAS 39	IAS 39 – Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Company.	1 January 2014
IFRIC 21	IFRIC 21 – Levies – IFRIC 21 clarifies that an entity recognises a liability for a levy (“a non-refundable fixed fee imposed by a Government”) when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Company has concluded that this interpretation has no impact on the Financial Statements.	1 January 2014

## 1 Accounting policies continued

### New and amended standards and interpretations

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory only for the Company's accounting periods beginning on or after 1 April 2015 or later periods but which the Company has not adopted early. Those that may be applicable to the Company in future are as follows:

		For financial period commencing on or after*
<b>International Accounting Standards (IFRS/IAS)</b>		
IFRS 9	IFRS 9 – Financial Instruments (2014)	1 January 2018
IAS 16 and IAS 38	IAS 16 and IAS 38 – Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27	IAS 27 Equity Method in Separate Financial Statements – Amendments	1 January 2016

The Company does not anticipate that the adoption of these standards and interpretations will either individually or collectively have a material impact on the Company's Financial Statements in the period of initial application. The Company does not anticipate adopting these standards and interpretations ahead of their effective date.

### (b) Going concern

The Company's principal activity and principal risks and uncertainties are set out in the Strategic Report. The ability of the Company to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its Bonds, which in turn is dependent on the Company and Group not breaching covenants.

The Company regularly monitors forecasts to determine whether or not breaches are forecast to occur in the future. These forecasts for the Company are regularly produced based on, inter alia, the Company's production and expenditure forecasts, management's best estimate of future oil prices (based on recent forward curves, adjusted for the Company's hedging programme) and the Company's borrowing facilities. Sensitivities are run to reflect different scenarios including, but not limited to, possible reductions in commodity prices below the current forward curve and reductions in forecast oil and gas production rates.

Due to the current weakness in oil and gas prices, the Directors have implemented a series of cost saving initiatives across the Group to reduce both operating costs and G&A spend.

On the basis of the Company's current forecasts, no breaches in covenants are anticipated. However these forecasts are based on certain assumptions particularly in relation to oil prices, production rates, operating costs, capital and general expenditure that impact the operations of its subsidiaries.

Despite the significant recent reduction in oil price, the Group is protected to a material degree against short term volatility. Over the period to 31 March 2016, 480,000 barrels are hedged using a mixture of puts, swaps and zero-cost collars, with downside protection ranging from US\$55.0 to US\$84.0 per barrel. In this period of volatility the Board has also hedged out 195,000 barrels of production to 30 September 2016 through swaps at an average strike price of approximately US\$65 per barrel. The Board continues to actively manage the hedging of production and add to the hedged position on a regular basis to ensure that it is well protected against any short or longer term fluctuations in oil price whilst balancing this against any potential credit exposure to our hedging counterparties, which could be created through a significant improvement in the oil price.

The Board has also considered its response to further significant and sustained falls in the oil price or if baseline or incremental production varies materially from forecasts. The Board has considered a number of potential actions were these to occur, including opportunities for further cost reduction, further hedging activities and portfolio management, including monetising certain of the exploration and appraisal assets held by the Company's subsidiaries. These potential actions would be in order to continue to meet the current covenants. In the ordinary course of business, the Board keeps under review its financing arrangements and if it is perceived that these arrangements could be detrimental to the operational and strategic objectives of the Company, it would engage proactively with bondholders, with whom the Company has an ongoing and positive dialogue.

The Directors consider that the expected operating cash flows of the Company and wider Group, combined with the current Bonds give them confidence that the Company has adequate resources to continue as a going concern.

### (c) Significant accounting judgements and estimates

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 are discussed as follows:



# Parent Company Financial Statements – Notes

As at 31 March 2015 continued

## 1 Accounting policies continued

### (c) Significant accounting judgements and estimates continued

#### Recoverable value of investment in subsidiaries:

The Company evaluates investments in subsidiaries for indicators of impairment as described in (d) below. Any impairment test, where required, involves estimates and associated assumptions related to matters (when appropriate), such as recoverable reserves; production profiles; forward gas and electricity prices; development, operational and offtake costs; nature of land access agreements and planning permissions; application of taxes, and other matters. Where the final outcome or revised estimates related to such matters differ from the estimates used in any earlier impairment reviews, the results of such differences, to the extent that they actually affected any impairment provisions, are accounted for when such revisions are made. Details of the Company's investments are disclosed in note 2.

#### Functional currency

The determination of a Company's functional currency often requires significant judgement where the primary economic environment in which it operates may not be clear. The Company's Financial Statements are presented in UK pound sterling, the primary economic environment of the Company.

### (d) Non-current assets

#### Investments in subsidiaries

Investments in Group companies held as non-current assets are held at cost less provision for impairment unless the investments were acquired in exchange for the issue or part issue of shares in the Company, when they are initially recorded in the Company's Balance Sheet at the fair value of the shares issued together with the fair value of any consideration paid, including costs of acquisition less any provision for impairment.

The Company's investments in Group companies held as non-current assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable, when impairment is calculated on the basis as set out below. Any impairment is charged to the Income Statement.

Loans to Group companies are stated at amortised cost.

#### Impairment

Impairment tests, when required, are carried out on the following basis:

- By comparing any amounts carried as investments held as non-current assets with the recoverable amount.
- The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The Company generally assesses value in use using the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the investment will be increased to the lower of its original carrying value and the carrying value that would have been determined had no impairment loss been recognised in prior periods.

#### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives at the following rates, with any impairment being accounted for as additional depreciation:

Buildings	– over five years on a straight line basis
Fixtures, fittings and equipment	– between three and five years on a straight line basis
Motor vehicles	– over four years on a straight line basis

### (e) Financial Instruments

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with original maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

#### Trade and other receivables

Trade receivables are initially recognised at fair value when related amounts are invoiced, less any allowances for doubtful debts or provision made for impairment of these receivables.

#### Trade and other payables

These financial liabilities are all non-interest bearing and are initially recognised at the fair value of the consideration received.

## 1 Accounting policies continued

### (e) Financial Instruments continued

#### Impairment of financial assets

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

#### Warrants

When warrants do not qualify as equity instruments under IAS39 due to the variable number of shares that would be issued in each case they are accounted for as financial liabilities. The warrants are initialised at fair value on the date they are issued and are subsequently remeasured to fair value at each period end. All changes in fair value are recognised in the Income Statement.

#### Borrowings

Borrowings are measured initially at fair value. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process. When management's estimates of the amounts or timings of cashflows are revised, borrowings are re-measured using the revised cash flow estimates under the original effective interest with any consequent adjustment being recognised in the Income Statement.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Income Statement.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

#### (f) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### Operating leases

Rentals are charged to the Income Statement in the year on a straight line basis over the period of the lease.

#### (g) Taxation

The tax expense represents the sum of current tax and deferred tax.

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Taxable profit/(loss) differs from the profit/(loss) before taxation as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the Balance Sheet date except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Temporary differences arise from differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are not discounted. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The carrying amount of deferred tax is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

# Parent Company Financial Statements – Notes

As at 31 March 2015 continued

## 1 Accounting policies continued

### (g) Taxation continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

### (h) Share based payments

Where share options or warrants are awarded to employees (including Directors), the fair value of the options or warrants at the date of the grant is recorded in equity over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including market vesting conditions, are factored in to the fair value of the options or warrants granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition; although equity no longer required for options or warrants may be transferred to another equity reserve.

Where the terms and conditions of options or warrants are modified before they vest, the increase in the fair value of the options, measured by the change from immediately before to after the modification, is also recorded in equity over the remaining vesting period.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised or the award is recognised immediately.

Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

Charges corresponding to the amounts recognised in equity are accounted as a cost against the profit and loss which will usually be to the Parent Company Income Statement unless the services rendered qualify for capitalisation as a non-current asset. Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition or intangible exploration and evaluation assets or property, plant and equipment.

Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, the value of such shares at issue will be recorded in share capital and share premium account in the ordinary way, but will not affect shareholders' funds since this same value will be shown as a deduction from shareholders' funds by way of a separate component of equity (Treasury shares).

### (i) Equity

Equity instruments issued by the Company are usually recorded at the proceeds received, net of direct issue costs, and allocated between called up share capital, share premium accounts or merger reserve as appropriate.

### (j) Foreign currency

Transactions denominated in currencies other than the functional currency UK pound sterling are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the Balance Sheet date. All differences that arise are recorded in the Income Statement.

## 2 Non-current assets – investments in subsidiaries

Investments in subsidiaries comprises:

	Investment in Group Companies £000	2015 Loans to Group companies £000	Total £000	Investment in Group Companies £000	2014 Loans to Group companies £000	Total £000
Parent Company						
At beginning of year	113,329	142,072	255,401	90,472	127,440	217,912
Additions	69,469	48,963	118,432	22,857	36,954	59,811
Repayment	–	–	–	–	(22,322)	(22,322)
<b>At end of year</b>	<b>182,798</b>	<b>191,035</b>	<b>373,833</b>	<b>113,329</b>	<b>142,072</b>	<b>255,401</b>

Loans to Group companies have repayment terms of 5 years. Of the £190.5 million loans to Group companies £84.6 million bears interest at 1.2% above LIBOR, the remainder bears interest at 12%.

## 2 Non-current assets – investments in subsidiaries continued

			Equity holding	
Name of companies	Principal activities	Country of incorporation	2015 %	2014 %
<b>Subsidiaries held by Company:</b>				
Dart Energy Limited	Oil exploration	England	100	0
Island Gas Limited	Oil exploration, evaluation, production and marketing	England	100	100
Island Gas Operations Limited	Electricity generation	England	100	100
IGas Energy (Caithness) Limited	Oil and gas production and marketing	England	100	100
IGas Exploration UK Limited	Gas production and marketing	England	100	100
Star Energy Group Limited	Service company	England	100	100
Star Energy Limited	Service company	England	100	100
Star Energy Weald Basin Limited	Oil and gas processing	England	100	100
Star Energy Oil and Gas Limited	Service company	England	100	100
<b>Subsidiaries held through subsidiaries:</b>				
Island Gas (Singleton) Limited	Oil and gas production and marketing	England	100	100
Star Energy (East Midlands) Limited	Dormant	England	100	100
Star Energy Oil UK Limited	Dormant	Scotland	100	100
Dart Energy SPV No.1 Pty. Limited*	Dormant	Australia	100	0
Dart Energy SPV No.2 Pty. Limited*	Dormant	Australia	100	0
Dart Energy (China) Pty. Limited*	Dormant	Australia	100	0
Dart Energy (Overseas) Pty. Limited*	Dormant	Australia	100	0
Apollo Gas Limited*	Investment holding	Australia	100	0
Dart Energy (Bruxner) Pty. Limited	Investment holding	Australia	100	0
Dart Energy International Limited	Investment holding	Singapore	100	0
Dart Energy (Apollo). Limited*	Investment holding	Australia	100	0
Dart Energy Global CBM Pty Limited	Dormant	Australia	100	0
Dart Energy (India) Pty. Limited	Investment holding	Australia	100	0
Dart Energy (Europe) Pte. Limited	Investment holding	Singapore	100	0
Dart Energy (India) Holdings Pte. Limited	Dormant	Singapore	100	0
Dart Energy (Indonesia) Holdings Pte. Limited	Investment holding	Singapore	100	0
Dart Energy (China) Holdings Pte. Limited	Investment holding	Singapore	100	0
Dart Energy (India) Pte. Limited	Investment holding	Singapore	100	0
Dart Energy (ST) Pte. Limited	Investment holding	Singapore	100	0
Dart Energy (AS) Pte. Limited	Investment holding	Singapore	100	0
Dart Energy (Sangatta West) Pte. Limited	Investment holding	Singapore	100	0
Dart Energy (Dajing) Pte. Limited	Investment holding	Singapore	100	0
Dart Energy (Tanjung Enim) Pte. Limited.	Investment holding	Singapore	100	0
Dart Energy (Muralim) Pte. Limited	Investment holding	Singapore	100	0
Dart Energy (Bontang Bengalon) Pte. Limited	Investment holding	Singapore	100	0
Dart Energy Asia Holdings Pte. Limited	Dormant	Singapore	100	0
Dart Energy (Vietnam) Holdings Pte. Limited	Investment holding	Singapore	100	0
Dart Energy Technology (Beijing) Company Limited	Service company	China	100	0
PT Dart Energy Indonesia	Service company	Indonesia	95	0
Dart Energy (Hanoi Basin CBM) Pte. Limited	CBM exploration	Singapore	100	0
PT Coal Bed Methane Power Indonesia	CBM exploration	Singapore	100	0
Dart Energy (CBM Power Indonesia) Pte. Limited	CBM exploration	Singapore	100	0
Dart Energy (CMM) Pte. Limited	Dormant	Singapore	100	0
Dart Energy (CIL) Pte. Limited	Dormant	Singapore	100	0
Dart Energy (MG) Pte. Limited	Dormant	Singapore	100	0
Dart Energy India Services Pvt. Limited	Service company	India	100	0
Dart Energy (Europe) Limited	Investment holding	Scotland	100	0
Dart Energy (Forth Valley) Limited	Gas exploration	Scotland	100	0
Dart Energy (East England) Limited	Shale gas exploration	England	100	0
Dart Energy (West England) Limited	Shale gas exploration	England	100	0
GP Energy Limited	Investment holding	England	100	0
Greenpark Energy Transportation Limited	Dormant	England	100	0
Dart Energy (Carbon Storage) Limited	Storage facility	Scotland	100	0

# Parent Company Financial Statements – Notes

As at 31 March 2015 continued

## 2 Non-current assets – investments in subsidiaries continued

			Equity holding	
Name of companies	Principal activities	Country of incorporation	2015 %	2014 %
<b>Subsidiaries held through subsidiaries:</b>				
Dart Energy (Lothian) Limited	Investment holding	Scotland	<b>100</b>	0
Milejow LLP	Gas exploration	Poland	<b>100</b>	0
Milejow LLP	Shale development	Poland	<b>100</b>	0
Werbkowice LLP	CBM development	Poland	<b>100</b>	0
Chelm LLP	CBM development	Poland	<b>100</b>	0
Sangatta West CBM Inc.	Investment holding BVI	British Virgin Islands	<b>49.99</b>	0

\* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

## 3 Property, plant and equipment

	Buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 1 April 2013	3	92	20	115
Additions	355	44	–	399
Disposals	–	–	–	–
At 31 March 2014	358	136	20	514
Additions	–	–	–	–
Disposals	–	–	–	–
<b>At 31 March 2015</b>	<b>358</b>	<b>136</b>	<b>20</b>	<b>514</b>
<b>Amortisation and impairment</b>				
At 1 April 2013	–	42	16	58
Charge for the year	56	27	4	87
At 31 March 2014	56	69	20	145
Charge for the year	72	28	–	100
<b>At 31 March 2015</b>	<b>128</b>	<b>97</b>	<b>20</b>	<b>245</b>
<b>Net book amount</b>				
At 31 March 2014	302	67	–	369
<b>At 31 March 2015</b>	<b>230</b>	<b>39</b>	<b>–</b>	<b>269</b>

## 4 Trade and other receivables

	31 March 2015 £000	31 March 2014 £000
Amounts falling due within one year:		
VAT recoverable	<b>253</b>	226
Other debtors	<b>33</b>	695
Amounts due from subsidiary undertakings	<b>46,067</b>	44,401
Prepayments	<b>127</b>	131
	<b>46,480</b>	45,453

Payment terms for balances due from subsidiary undertakings are as mutually agreed between the Group's companies.

The carrying value of each of the Company's financial assets as stated above being other debtors and amounts due from subsidiary undertakings is considered to be a reasonable approximation of its fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of assets listed in the table above.



## 5 Cash and cash equivalents

	31 March 2015 £000	31 March 2014 £000
Cash at bank and in hand	10,772	16,655
	<b>10,772</b>	<b>16,655</b>

The carrying value of the Company's cash and cash equivalents as stated above is considered to be a reasonable approximation of their fair value.

The Company only deposits cash surpluses with major banks that have acceptable credit ratings of "A" or better, except that the Company will make deposits with banks where the UK government is the major shareholder.

## 6 Current liabilities

	31 March 2015 £000	31 March 2014 £000
Trade and other payables:		
Trade creditors	204	115
Taxation and social security	60	59
Amounts due to subsidiary undertakings	117,944	54,475
Accruals and other creditors	712	1,324
	<b>118,920</b>	<b>55,973</b>

Payment terms for balances due to subsidiary undertakings are as mutually agreed between the Group's companies.

The carrying value of each of the Company's financial liabilities being trade creditors is considered to be a reasonable approximation of its fair value. All trade creditors are payable within one month and no creditor has been outstanding for longer than three months (2014: all within one month).

## 7 Taxation

Tax losses, none of which are considered sufficiently certain of utilisation to recognise deferred tax assets, amount to:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Excess management expenses	13,376	12,469
Excess non-trade loan relationship debits	21,109	5,526
Related to share based payment transactions	—	739

Excess management expenses may only be offset against future profits, if any, of the Company generated in its capacity as a Group holding Company.

Non-trade loan relationship debits may be offset against future income from similar sources.

# Parent Company Financial Statements – Notes

As at 31 March 2015 continued

## 8 Borrowings

Borrowings are measured at amortised cost in accordance with IAS 39.

	31 March 2015			31 March 2014		
	Within 1 year £000	Greater than 1 year £000	Total £000	Within 1 year £000	Greater than 1 year £000	Total
£000						
Bonds – secured*	5,310	83,294	88,604	4,948	87,186	92,134
Bonds – unsecured*	–	18,935	18,935	–	16,567	16,567
Total	5,310	102,229	107,539	4,948	103,753	108,701

\* Transaction costs of raising debt of £3.2 million (2014: £3.7 million) have been netted off against the liability.

### Bond Issuance

#### Secured bonds

On 21 March 2013, the Company and Norsk Tillitsmann (“Bond Trustee”) entered into a Bond Agreement for the Company to issue up to US\$165.0 million secured bond. These bonds were subsequently listed on Oslo Bors.

The Bond carries a coupon of 10% per annum (where interest is payable semi-annually in arrears) and semi-annual amortisation of 2.5% of initial loan amount. Final maturity on the notes will be 22 March 2018.

The Bond Agreement contains certain representations, warranties and covenants customary for an instrument of this nature. Such covenants include the provision of financial and reporting information, compliance with environmental law, maintenance of financial ratios and certain restrictions on mergers, acquisitions, joint ventures, granting of security, disposals, issuances of loans, incurrence of financial indebtedness and on payments of dividends by the Company and its operating subsidiaries. The Bond Agreement also contains customary events of default, the occurrence of which allows The Bond Trustee (on behalf of the bond holders) to accelerate outstanding bonds and terminate the commitments. Under the terms of the Secured Bond agreement, the Bondholders have a fixed and floating charge over intangible exploration and evaluation assets and property, plant and equipment.

During March 2015, the Company repurchased 14,667,530 secured bonds with a gain of £1.3 million.

#### Unsecured

On 11 December 2013, the Company and Norsk Tillitsmann (“Bond Trustee”) entered into a Bond Agreement for the Company to issue US\$30.0 million unsecured bond issue, issued at 96% of par. These bonds were subsequently listed on the Alternative bond market in Oslo.

The Bond carries a coupon of 10% per annum (where interest is payable semi-annually in arrears) and has a borrowing limit of US\$60.0 million. Final maturity on the notes will be 11 December 2018.

The Bond Agreement contains certain representations, warranties and covenants customary for an instrument of this nature. Such covenants include the provision of financial and reporting information, compliance with environmental law, maintenance of financial ratios and certain restrictions on mergers, acquisitions, joint ventures, granting of security, disposals, issuances of loans, incurrence of financial indebtedness and on payments of dividends by the Company and its operating subsidiaries. The Bond Agreement also contains customary events of default, the occurrence of which allows The Bond Trustee (on behalf of the bond holders) to accelerate outstanding bonds and terminate the commitments.

During March 2015, the Company repurchased 1,000,000 unsecured bonds with a gain of £0.1 million.

## 9 Other liabilities

	31 March 2015 £000	31 March 2014 £000
At 1 April	6,804	8,208
Warrants exercised during year	(1,117)	(9,508)
Revaluation (gain)/loss	(5,338)	8,104
<b>As at 31 March</b>	<b>349</b>	<b>6,804</b>

During the year the Group issued 1,500,000 Ordinary Shares with a nominal value of 10p each upon the exercise of £0.8 million warrants (31 March 2014: 9,975,657 shares issued).

Warrants issued can be exercised in three different ways and, although the cost to the Company would be the same under each exercise option, these warrants do not qualify as equity instruments under IAS 39 due to the variable number of shares that would be issued in each case. Accordingly they have been accounted for as financial liabilities.

All warrants vested on grant and accordingly the key assumptions made in arriving at the Black-Scholes valuations were: share price on date of valuation, adjusted for subsequent consolidations where appropriate and the length of time for which the warrants were expected to remain exercisable. A risk free interest rate of 1.09% and an implied volatility of 35% were used in valuing the warrants at the time of granting, and an interest rate of 0.67% and an implied volatility of 60.81% at 31 March 2015. It was also assumed that no dividends would be paid during the life of the warrants.

The movements in warrants during the period were as follows:

	No.	Weighted average exercise price (pence)
At 1 April 2013	21,286,646	55.8
Granted in year	—	—
Lapsed in year	—	—
Exercised in the year	12,286,646	55.8
Outstanding at 31 March 2014	9,000,000	55.8
Exercisable at 31 March 2014	9,000,000	55.8
Granted in year	—	—
Lapsed in year	—	—
Exercised in the year	1,500,000	55.8
<b>Outstanding at 31 March 2015</b>	<b>7,500,000</b>	<b>55.8</b>
<b>Exercisable at 31 March 2015</b>	<b>7,500,000</b>	<b>55.8</b>

The weighted average remaining contractual life for the warrants outstanding as at 31 March 2015 is 2.75 years.

## 10 Commitments

At the Balance Sheet date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, for each of the following years.

Operating lease commitments:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
— expiring within 1 year	378	285
— expiring within 2 to 5 years	756	1,042
<b>Total</b>	<b>1,134</b>	<b>1,327</b>

# Parent Company Financial Statements – Notes

As at 31 March 2015 continued

## 11 Financial instruments and risk management

### Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the Balance Sheet, other than those with carrying amounts that are a reasonable approximation of their fair values, are as follows:

	Carrying amount		Fair value	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
<b>Financial liabilities</b>				
<i>Amortised cost</i>				
Borrowings <sup>1</sup>	<b>107,539</b>	108,701	<b>110,133</b>	112,326

1 The fair value of borrowings and other financial liabilities has been calculated by discounting the expected future cash flows at prevailing market interest rates for instruments with substantially the same terms and characteristics.

2 The fair value of warrants is estimated using a Black-Scholes valuation model.

### Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For financial instruments there are no non-recurring fair value measurements nor have they been any transfers between levels of the fair value hierarchy.

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at the reporting dates as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>At 31 March 2015</b>				
Warrants	—	349	—	349
<b>Total</b>	<b>—</b>	<b>349</b>	<b>—</b>	<b>349</b>
<b>At 31 March 2014</b>				
Warrants	—	6,804	—	6,804
<b>Total</b>	<b>—</b>	<b>6,804</b>	<b>—</b>	<b>6,804</b>

The warrants are valued using Black-Scholes method, which incorporates the inputs as detailed in note 9.

## 11 Financial instruments and risk management continued

### Financial risk management

The Company's principal financial liabilities comprise borrowings, warrants and trade and other payables, including amounts due to subsidiary undertakings. The main purpose of these financial liabilities is to finance the Company's subsidiary operations and to fund acquisitions. The Company has trade and other receivables, and cash and cash equivalents that are derived directly from its operations and restricted cash.

The Company manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the Company's financial targets while protecting future financial security. The Company is exposed to the following risks:

- Market risk including interest rate, and foreign currency risks
- Credit risk
- Liquidity risk

Management reviews and agrees policies for managing each of these risks which are summarised below. It is the Company's policy that all transactions involving derivatives must be directly related to the underlying business of the Company. The Company does not use derivative financial instruments for speculative exposures.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market factors, such as interest rate and foreign currency.

The sensitivity analyses below have been prepared on the basis that the amount of net debt, and the proportion of financial instruments in foreign currencies are all constant and that derivatives are held to maturity. The sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

### Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans with related parties. The Company currently has all of its external borrowings at fixed rates of interest.

The following table summarises the impact on profit before tax for changes in interest rates on the fair value of the loans to related parties. The analysis is based on the assumption that LIBOR moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in profit before tax for the year ended and to equity as at	
	31 March 2015 £000	31 March 2014 £000
50 (2014: 50) basis point increase in LIBOR	388	945
50 (2014: 50) basis point decrease in LIBOR	(388)	(945)

### Foreign currency risk

The Company has transactional currency exposures. Such exposure arises from purchases in currencies other than the UK pounds sterling, the functional currency of the Company.

The following table summarises the impact on profit before tax for changes in the US dollar/UK pound sterling exchange rate on financial assets and liabilities as at the year end, principally relating to the Groups borrowings which are denominated in US dollars. The impact on equity is the same as the impact on profit before tax.

The analysis is based on the assumption that the pound moves 10%, with all other variables held constant.

	Increase/(decrease) in profit before tax for the year ended and to equity as at	
	31 March 2015 £000	31 March 2014 £000
10% strengthening of the pound against the US dollar	9,867	9,457
10% weakening of the pound against the US dollar	(9,867)	(9,457)



# Parent Company Financial Statements – Notes

As at 31 March 2015 continued

## 11 Financial instruments and risk management continued

### Credit risk

With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents and amounts due from subsidiary undertakings, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The credit risk on amounts due from subsidiary undertakings are limited as these are assessed for impairment whenever events or changes in circumstances indicate that they may not be recoverable. The Company limits its counterparty credit risk on cash and cash equivalents by dealing only with financial institutions with credit ratings of at least A or equivalent of at least A or equivalent other than if the UK government is a majority shareholder. £10.1 million (2014: £16.6 million) of cash and cash equivalents were held with a single institution.

### Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the subsidiaries liquidity needs, the maturity profiles of financial assets and liabilities and future operating commitments.

The table below summarises the maturity profile of the Company's financial liabilities at 31 March based on contractual undiscounted payments:

	On demand £000	<1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
<b>At 31 March 2015</b>						
Borrowings	–	16,442	15,891	92,317	22,426	147,076
Trade and other payables	–	14	–	–	–	–
Warrants	–	349	–	–	–	–
	–	16,805	15,891	92,317	22,426	147,076
<b>At 31 March 2014</b>						
Borrowings	–	16,181	15,708	15,178	108,271	155,338
Trade and other payables	–	115	–	–	–	115
Warrants	–	6,804	–	–	–	6,804
	–	23,100	15,708	15,178	108,271	162,257

Management considers that the Company has adequate current assets and forecast cash from operations to manage liquidity risks arising from current liabilities and non-current liabilities.

### Capital management

The Company manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Company's funding needs are met through a combination of debt and equity (2014: funding requirements through a combination of debt and equity) and adjustments are made in light of changes in economic conditions. The Company's strategy is to maintain ratios in line with covenants associated with the senior debt facility.

The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Company includes within net debt, interest bearing bank loans less cash and cash equivalents and restricted cash. Capital includes share capital, share premium, other reserves and accumulated losses.

## 12 Share capital

	Ordinary Shares	
	Nominal value No.	£000
<b>Issued and fully paid</b>		
1 April 2013, Ordinary Shares of 10p each	186,535,639	18,653
22 April 2013 shares issued at a price of 77p each	475,002	48
22 June 2013 shares issued at a price of 55.8p each	3,000,000	300
23 July 2013 shares issued at a price of 83p each	70,934	7
26 July 2013 shares issued at a price of 10p each	2,975,656	297
15 August 2013 shares issued at a price of 55.8p each	2,000,000	200
22 October 2013 shares issued at a price of 101p each	87,696	9
5 December 2013 shares issued at a price of 115p each	7,488,301	749
22 Jan 2014 shares issued at a price of 55.8p each	2,000,001	200
22 Jan 2014 shares issued at a price of 101p each	91,533	9
31 March 2014, Ordinary Shares of 10p each	204,724,762	20,472
15 April 2014 shares issued at a price of 55.8p each	1,500,000	150
22 April 2014 shares issued at a price of 108p each	91,239	9
23 July 2014 shares issued at a price of 117p each	69,404	7
16 October 2014 shares issued at a price of 74.75p each	89,997,626	9,000
22 October 2014 shares issued at a price of 77p each	99,100	10
22 January 2015 shares issued at a price of 30.25p each	442,431	44
<b>31 March 2015, Ordinary Shares of 10p each</b>	<b>296,924,562</b>	<b>29,692</b>

The costs of all share issues have all been charged to the share premium account and are as disclosed in the parent company Statement of Changes in Equity.

## 13 Share premium and capital redemption reserve account

### Share premium account

The share premium account of the Company arises from the capital that the Company raises upon issuing shares for consideration in excess of the nominal value of the shares net of the costs of issuing the new shares. During the year the Company issued 92,199,800 Ordinary shares at a price of 10p each (2014: 18,189,123 shares issued). The cost of the issue was £1.9 million (2014: £nil million). Together these events resulted in a net movement in the Share premium reserve of £58.5 million (2014: £11.6 million).

### Capital redemption reserve

During the period ended 31 March 2014 IGas repurchased 100% of its outstanding deferred shares which had been issued with a nominal value of 40p each. These deferred shares were subsequently cancelled by the Company. This resulted in a reduction in share capital and a corresponding recognition of a Capital Redemption Reserve of £64.9 million.

## 14 Merger reserve

Merger reserve – The merger reserve arose as a result of a reverse acquisition on 31 December 2007 whereby IGL became a wholly owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the Ordinary Share Capital of the Company. The reserve represents the difference in the fair value and the nominal value of the shares issued. The reserve is not distributable.

# Parent Company Financial Statements – Notes

As at 31 March 2015 continued

## 15 Other reserves

Other reserves are as follows:

	Share Plan/ Warrant/ LTIP Reserves £000	Treasury Shares £000	Capital Contributions £000	Total £000
Balance 1 April 2013	455	(1,299)	47	(797)
Employee share plans – cost under IFRS 2	577	–	–	577
Employee share plans – shares issued under the SIP	–	(447)	–	(447)
Balance 31 March 2014	1,032	(1,746)	47	(667)
Employee share plans – cost under IFRS 2	2,657	–	–	2,657
Employee share plans – shares issued under the SIP	–	(239)	–	(239)
Lapse of LTIPs under the employee share plan	(487)	–	–	(487)
<b>Balance 31 March 2015</b>	<b>3,202</b>	<b>(1,985)</b>	<b>47</b>	<b>1,264</b>

## Employee share plans – Equity settled

Details of the share options under employee share plans outstanding are as follows:

	LTIP		VCP	
	Number of Options	Weighted average exercise price (pence)	Number of Units	Weighted average exercise price (pence)
Outstanding at 1 April 2013	3,179,027	–	–	–
Exercisable at 1 April 2013	–	–	–	–
Granted during the year	466,203	–	–	–
Forfeited during the year	(48,730)	–	–	–
Lapsed during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at 31 March 2014	3,596,500	–	–	–
Exercisable at 31 March 2014	–	–	–	–
Granted during the year	2,401,238	–	80	–
Forfeited during the year	–	–	–	–
Lapsed during the year	(2,147,485)	–	–	–
Exercised during the year	–	–	–	–
<b>Outstanding at 31 March 2015</b>	<b>3,850,253</b>	<b>–</b>	<b>80</b>	<b>–</b>
<b>Exercisable at 31 March 2015</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Long Term Incentive Plan 2011 (“2011 LTIP”)

In November 2011 the Company adopted a Long Term Incentive Plan scheme for certain key employees of the Group. Under the LTIP, participants can each be granted nil cost options over up to 300% of remuneration for the Initial Award and up to 150% of remuneration for the Annual Award (subject to an overall plan limit of 10% of the issued share capital of the Company for all participants). The LTIP has a three year performance period and awards vest subject to share price performance exceeding the Company’s weighted average cost of capital of 10%. On a change of control prior to the third anniversary of the grant date, a proportion of the options that vest will take into account items such as the time the Option has been held by the participant and the performance achieved in the period from the grant date. Other than on a change of control, 100% of vested awards can be exercised and sold on vesting.

There were no LTIPs exercised during the year. The LTIPs outstanding at 31 March 2015 had both a weighted average remaining contractual life and maximum term remaining of 8.6 years (2014: 7.8 years). The fair value of the awards granted under the Share Option scheme are measured at grant date using a Monte Carlo Simulation Model.

The total charge for the year was £0.73 million (2014: £0.29 million). Of this amount, £0.60 million was capitalised (2014: £0.1 million) and £0.13 million was charged to the Income Statement (2014: £0.2 million).

**15 Other reserves continued****Value Creation Plan ("2014 VCP")**

In July 2014, the Company adopted the IGas 2014 Value Creation Plan ("VCP"). Under the VCP, performance units will be granted which convert into a certain number of shares at end of 3 year performance period. The VCP requires creation of shareholder value in excess of threshold hurdle of 10% annualised share price growth from 1 April 2014. If this hurdle is met at the end of performance period, participants will receive in aggregate 12.5% of the shareholder value created above the hurdle. 50% of this value will vest in shares of equivalent value at end of the performance period and 25% at the end of each of the following two years. The awards granted under the VCP scheme measured at grant date using a Monte Carlo Simulation Model.

For the VCP, when significant additional capital is raised (more than 10% of the Company's issued share capital) following the grant date, a separate tranche of the VCP award is created with its own threshold price and share capital. Therefore any additional shares issued will have to be considered separately in determining the VCP accounting expense for periods following this capital event.

The total charge for the year was £1.72 million. Of this amount, £1.31 million was capitalised and £0.41 million was charged to the Income Statement.

The inputs into the Monte Carlo model were as follows:

	2011 LTIP				VCP	
	Granted Nov 11	Granted June 12	Granted Sep 13	Granted Jul 14	Granted Jul 14 (pre capital issue)	Granted Jul 14 (capital issue relating to Dart acquisition – Oct 14)
Share price on grant	50.5p	66.5p	102.0p	112.0p	112.0p	112.0p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility	35%	31%	43%	47%	47%	47%
Expected life	6.5 years	6.5 years	6.5 years	2.7 years	2.7 years	2.5 years
Risk-free rate	0.70%	0.35%	0.85%	1.28%	1.28%	0.80%
Expected dividends	0%	0%	0%	0%	0%	0%
Weighted average fair value of awards granted	23.12p	26.72p	50.90p	51.55p	£64,989	£22,447

**Other share based payments**

In 2013, the Company adopted an Inland Revenue approved Share Investment Plan ("SIP") for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to acquire up to £125 (or 10% of salary, if less) worth of IGas Ordinary Shares per month or £1,500 per annum. Under the SIP employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one or two-for-one basis.

The total charge for the year was £0.2 million (2014: £0.1 million). Of this amount, £0.03 million was capitalised (2014: £0.02 million) and £0.17 million was charged to the Income Statement (2014: £0.12 million).

There were no other share based payments granted during the year (31 March 2014: 190,710 with a fair value of £0.17 million), measured indirectly with reference to the value of the option. This amount was charged to the subsidiary. There were no options exercised during the year. The options outstanding at 31 March 2015 had both a weighted average remaining contractual life and a maximum term of 7.6 years (31 March 2014: 8.6 years).

**Treasury shares**

The Treasury shares of the Company have arisen in connection with the shares issued to the IGas Employee Benefit Trust, of which the Company is the sponsoring entity. The value of such shares is recorded in share capital and share premium account in the ordinary way and is also shown as a deduction from equity in this separate reserve account. There is therefore no net effect on shareholders' funds. During the year ended to 31 March 2015 there were no shares issued to the Employee Benefit Trust (2014: nil).

**Capital contribution**

The capital contribution relates to cash received following the acquisition of IGAS Exploration UK Limited.

# Parent Company Financial Statements – Notes

As at 31 March 2015 continued

## 16 Related party transactions

### (a) With Group Companies

A summary of the transactions in the year is as follows:

	Year ended 31 March 2015 £000	Year ended 2014 31 March £000
<b>Amounts due from/(to) subsidiaries:</b>		
Balance at beginning of year	131,998	113,714
Services performed by subsidiary	578	5,209
Net cash advances	(25,809)	18,781
Group loan interest	12,391	8,667
Group loan repayment	–	(22,322)
Acquisitions	–	7,949
Balance at end of year	119,158	131,998

Payment terms for balances due to or from subsidiaries are as mutually agreed between the Group's companies. The payment terms in respect of loans are detailed in note 2.

### (b) With Directors

Key management as defined by IAS 24 – Related Party Disclosures are those persons having authority and responsibility for planning, controlling and directing the activities of the Company. In the opinion of the Board, the Company's key management are the Directors of the Company. Information regarding their compensation is given in notes 5 and 29 to the consolidated accounts.

C McDowell currently holds US\$0.27 million (2014: US\$0.29 million) bonds issued in the Group. These bonds earn interest at 10% per annum. In the year ended 31 March 2015, the interest paid was US\$0.03 million (2014: US\$0.03 million). Accrued interest at 31 March 2015 amounted to US\$0.8 thousand (31 March 2014: US\$0.8 thousand).

F Gugen currently holds no bonds (2014: US\$2.80 million bonds) issued by the Group. Bonds earn interest at 10% per annum. In the year ended 31 March 2015, interest paid was US\$0.2 million (2014: US\$0.4 million). There was no interest accrued interest at 31 March 2015 (31 March 2014: US\$7.8 thousand).

## 17 Subsequent events

### Issued shares

On 22 April 2015, the Company issued 479,160 Ordinary 10p shares in relation to the Groups SIP scheme.

### Restructuring

On 8 May 2015, the Group announced that it had undertaken a review of its cost base. The process included working with suppliers to make meaningful savings across the business. The Group also confirmed that it made the decision to reduce the size its workforce and number of consultants employed. Overall, there is expected to be headcount reductions of more than 25% across the Group.

For the Company, the anticipated cost of this restructuring is expected to be c.£1.0 million which will be incurred in 2015/16. These costs relate to payments to directors and persons discharging managerial responsibilities where employment has been, or is expected to be, terminated in connection with the restructuring, principally Andrew Austin whose employment ended on 31 May 2015. As at 31 May 2015, share options and units previously granted to Andrew Austin under the Company's Long Term Incentive Plan (LTIP) and Value Creation Plan (VCP) forfeited, none of which having vested or become exercisable prior to this date. This resulted in a release of prior charges under IFRS 2 – credit to the Income Statement of £0.36 million, credit against Investment of £0.65 million and a charge to the Share based payment reserve of £1.01 million.



# Oil and Gas Reserves

As at 31 March 2015

The Group's estimates of proved plus probable reserves are taken from the Group's internal estimates for the Group's oil fields as of 31 December 2014 together with adjustments for production data thereafter. Proved reserves are estimated reserves that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years under existing economic and operating conditions, while probable reserves are estimated reserves determined to be more likely than not to be recoverable in future years under existing economic and operating conditions.

All of the Group's oil and gas assets are located in the United Kingdom.

## Group proved plus probable reserves

	Oil mmbbls	Gas Bcf	Total mmboe
At 1 April 2014	12.23	5.91	13.25
Additions during the year	0.78	–	0.78
Revision of previous estimates	(0.09)	(2.19)	(0.47)
Production	(0.89)	(0.23)	(0.93)
Total change during the year	(0.20)	(2.42)	(0.62)
<b>At 31 March 2015</b>	<b>12.03</b>	<b>3.49</b>	<b>12.63</b>

The Group's estimates of proved plus probable reserves are made in accordance with the 2007 Petroleum Resources Management System prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers ("SPE") and reviewed and jointly sponsored by the World Petroleum Council ("WPC"), the American Association of Petroleum Geologists ("AAPG") and the Society of Petroleum Evaluation Engineers ("SPEE").

## Glossary

£	The lawful currency of the United Kingdom
US\$	The lawful currency of the United States of America
1P	Low estimate of commercially recoverable reserves
2P	Best estimate of commercially recoverable reserves
3P	High estimate of commercially recoverable reserves
1C	Low estimate or low case of Contingent Recoverable Resource quantity
2C	Best estimate or mid case of Contingent Recoverable Resource quantity
3C	High estimate or high case of Contingent Recoverable Resource quantity
AIM	AIM market of the London Stock Exchange
Bcf	Billions of standard cubic feet
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
CBM	Coal bed methane
Recoverable reserves	As defined in the Oil and Gas Reserves table above
Contingent Recoverable Resources	<p>Contingent Recoverable Resource estimates are prepared in accordance with the Petroleum Resources Management System (PRMS), an industry recognised standard. A Contingent Recoverable Resource is defined as discovered potentially recoverable quantities of hydrocarbons where there is no current certainty that it will be commercially viable to produce any portion of the contingent resources evaluated. Contingent Recoverable Resources are further divided into three status groups: marginal, sub-marginal, and undetermined. IGas' Contingent Recoverable Resources all fall into the undetermined group. Undetermined is the status group where it is considered premature to clearly define the ultimate chance of commerciality.</p> <p>All amounts shown in this annual report have been compiled by statistical aggregation.</p>
DECC	Department of Energy and Climate Change
GIIP	Gas initially in place
MMboe	Millions of barrels of oil equivalent
MMscfd	Millions of standard cubic feet per day
PEDL	United Kingdom petroleum exploration and development licence
PL	Production licence
Scf	Standard cubic feet
Tcf	Trillions of standard cubic feet of gas
UK	United Kingdom

## General Information

### Directors

F Gugen – Non-Executive Chairman  
S Bowler – Chief Executive Officer  
J Blaymires – Chief Operating Officer  
J Bryant – Non-Executive  
R Pinchbeck – Non-Executive  
C McDowell – Non-Executive

### Company Secretary

#### Cooley (UK) LLP

Dashwood  
69 Old Broad Street  
London EC2M 1QS

### Nominated Adviser and Broker

#### NOMAD and Joint Broker

Jefferies Hoare Govett  
Vintners Place  
68 Upper Thames Street  
London EC4V 3BJ

### Joint Broker

#### Canaccord Genuity

88 Wood Street  
London EC2V 7QR

### Registrar

#### Computershare Investor Services plc

The Pavilions  
Bridgwater Road  
Bristol BS13 8AE

### Auditor

#### Ernst & Young LLP

1 More London Place  
London SE1 2AF

### Banker

#### Barclays Bank Plc

1 Churchill Place  
London E14 5HP

### Registered Office

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### Copies of Reports and Accounts

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