IGas Energy plc
Annual Report and Accounts 2020

Welcome to the IGas Energy plc Annual Report and Accounts 2020

Our purpose is to provide energy needed today while also generating new sources of energy for tomorrow; our vision is to be a leading onshore provider of energy in a net zero world; and our strategy is to create value for shareholders and society in a sustainable way through the successful development, efficient operation and responsible ownership of energy infrastructure and businesses.

What's Inside

Financial and Operational Performance

Financial

Revenues
£21.6m

2020	**£21.6m**
2019	£40.9m

Net assets
£73.3m

2020	**£73.3m**
2019	£113.1m

Net debt*
£12.2m

2020	**£12.2m**
2019	£6.2m

Adjusted EBITDA*
£4.0m

2020	**£4.0m**
2019	£13.8m

Loss after tax
£(42.1)m

2020	**£(42.1)m**
2019	£(49.8)m

Cash and cash equivalents
£2.4m

2020	**£2.4m**
2019	£8.2m

Operating cash flow before working capital movements
£3.3m

2020	**£3.3m**
2019	£14.3m

+ **Read more on page 16**

Underlying operating (loss)/profit*
£(2.7)m

2020	**£(2.7)m**
2019	£4.6m

* These are alternative performance measures which are further explained on page 19.

Operational

Production
- Net production averaged 1,907 boepd for the year (2019: 2,325 boepd).

Reserves
- Significant 2P reserves replacement ~250% (1P ~270%).
- 2P reserves of 17.12 MMboe at 31 December 2020 (2019: 16.05 MMboe).

Development
- Waterflood projects at Scampton and Welton online.
- Acquisition of GT Energy (GTE): a developer of heat from deep geothermal.
- Hydrogen partnership with BayoTech, a manufacturer of modular steam methane reformation equipment.

Health and Safety
- IGas presented with RoSPA Presidents Award, representing 14 years of commitment to Occupational Health and Safety.

Our Marketplace

A Changing Environment

Oil Price

In 2020, the COVID-19 pandemic led to oil and gas prices falling to the lowest levels in recent history. Global oil demand fell by 25% in April 2020 and Brent hit a low of $16, its lowest in two decades.

Crude has had a strong start to 2021 buoyed by recovering global demand and supply constraints. Ultimately, the outlook for the oil market will depend on OPEC keeping oil supply in check; how quickly vaccines can be rolled out; if governments can contain the new variant outbreaks and what lingering impact the global health crisis has on economic activity.

However, underinvestment in exploration and development should support prices in the medium term with many decisions on new projects delayed or cancelled. Some oil economists are forecasting a tightening in the market as demand continues to grow in the mid-term with Brent reaching as high as $65-70/bbl in 2022.

Climate change is weighing on investment sentiment. Increased scepticism regarding the long-term value of oil and gas assets has led to a structural de-rating of the sector. There is also an increasing trend towards environmental, social, and governance (ESG) investment. Today over one-third of global capital has some type of ESG mandate, and 'Sustainable Investment' now tops $30 trillion – up 68% since 2014 and tenfold since 2004.

Political Review

2020 began with the UK leaving the European Union but not long after, it was Coronavirus that dominated the political landscape.

There was, however, a slew of announcements at the end of the year from the Government in respect of climate change and energy policy in advance of the 26th United Nations Climate Change Conference of the Parties (COP26) in Glasgow in November 2021.

In November 2020, Prime Minister Boris Johnson outlined his Ten Point Plan for a Green Industrial Revolution. At the centre of his blueprint are the UK's industrial heartlands, including in the North East, Yorkshire and the Humber, West Midlands, Scotland and Wales, which will build green jobs and industries of the future. Many of these areas are suitable for geothermal development where we see a significant role in the decarbonisation of large-scale heat – helping to make "public sector buildings greener."

Following this, the Government announced an ambitious new emissions target setting the UK on the path to net zero by 2050, leading the way in tackling climate change globally. The new plan aims for at least a 68% reduction in greenhouse gas emissions by the end of the decade, compared to 1990 levels and commits the UK to reducing emissions by the fastest rate of any major economy.

In its sixth carbon budget, published on 9 December 2020, the Committee on Climate Change (CCC) recognised a continued role for oil and gas throughout the energy transition in its recommendation.

Under the CCC's 'Balanced' scenario, in the absence of increased domestic hydrocarbon production, we would need to import £210 billion worth of oil and gas to fuel a net zero economy to 2050 – a worrying statistic. Based on the gas demand profile outlined in the 'Balanced' scenario, the shortfall between natural gas demand and natural gas supplied from the UK Continental Shelf (UKCS) is 10,047 TWh between 2020 and 2050. When Norwegian imports (NCS) are discounted from this total (as it represents lower carbon intensity) – the shortfall between UK demand and UKCS/NCS supply is 3,639 TWh. The carbon intensity of UK onshore natural gas has been forecast by Imperial College London to be 13.8 g CO_2/kWh, compared to an average of 57 g CO_2/kWh for imported LNG.

The committee also makes the key point that "UK industries should face a level playing field under the UK's ambitious targets." It is not acceptable for carbon intensive imports to flood the UK whilst the domestic industry faces increased regulatory burdens and costs, especially at a time when British businesses will be in recovery.

The long awaited Energy White Paper was published on 14 December 2020, setting out how the UK will clean up its energy system and reach net zero emissions by 2050. In particular, IGas welcomed the statement that "The UK's domestic oil and gas industry has a critical role in maintaining the country's energy security and is a major contributor to the economy" and that "The projections for demand for oil and gas though much reduced is forecast to continue for decades to come."

> "The projections for demand for oil and gas though much reduced is forecast to continue for decades to come."
>
> UK Government Energy White Paper

The Onshore Oil and Gas Industry

The onshore oil and gas industry is one of the UK's oldest and was instrumental in the fuelling of the nation during both world wars. Today there are 415 licensed blocks and over 300 operating wells. Since the launch of the industry community benefit scheme in 2013 over £1 million has been distributed to local communities.

Industrial growth is underpinned by producing energy cheaply, efficiently and as close to consumers as possible. Oil and gas demand is almost six times that of the electricity demand in the UK, heating the vast majority of UK homes and acting as a vital source of fuel and as a feedstock for British industry and manufacturing. Post COVID-19, it is also imperative that we produce energy sustainably and create jobs and tax revenues, while upholding environmental regulations and energy security.

All independent forecasts, including that of the CCC, indicate that there will be a fundamental need for oil and gas in a net zero world – our energy system, infrastructure and economy cannot manage without these critical components. In addition, these same forecasts show the need for hydrogen as the low carbon fuel of the future and the fact that natural gas (methane) will be the lowest cost primary feedstock to produce the hydrogen we will require.

In the first six weeks of the COVID-19 imposed lockdown, the UK experienced an unprecedented shift in oil, gas and electricity production to higher carbon imports, further building on worrying levels before the pandemic. Meanwhile, the crisis has clearly demonstrated how vital home-grown oil and gas is to keep the lights on, provide transportation and as the source of essential raw materials for the NHS, care homes and key workers, particularly in the case of PPE.

Using the forecast demand data within the CCC's Net Zero Report of May 2019 and the Oil and Gas Authority's estimates for UK production, import dependencies will rise up to 86% for gas and 48% for oil by 2050 without Government policy intervention. Cumulative spend on imports will be in the order of c.£0.5 trillion by 2050, with between 100 and 145 million tonnes of additional carbon produced by gas imports alone.

The industry has committed to working with Government on net zero and introducing innovative ways to reduce emissions to as low as reasonably practicable.

Investing in the Energy Transition

"The opportunities here in the UK are significant as the Government pushes to decarbonise heat as part of the transition to net zero in 2050."

Whilst there is a clear need for oil and gas in a 2050 net zero environment, it is IGas' intention to play an important role in the UK's energy transition. The Company's strategy is to diversify into the wider UK energy market whilst leveraging its core competencies as a UK onshore operator.

Geothermal

The CCC stated that only decarbonisation of heating in the UK could deliver the major reduction in emissions needed to meet the 2050 net zero target.

Geothermal energy (the energy stored in the form of heat beneath the earth's surface) provides a home-grown, nationally secure, low-carbon and green alternative to conventional heating and power generation. By unlocking natural geothermal energy, we are paving the way for a more sustainable future.

Geothermal energy, a type of renewable energy, is increasingly being used across the world with a number of towns and cities adopting it to provide heat and electricity to both significant users, such as large council buildings and warehouses and the general public, through district heating systems.

How does it work?

The technology relies on the heat from the earth, a virtually infinite resource. It is permanently available and independent of the weather. It offers a widely applicable, affordable and constant baseload supply of heat (and power) plus the potential for significant inter-seasonal thermal storage for waste heat and cold.

Wells drilled into the rock intersect with hydrothermal reservoirs, and the superheated water brought to the surface runs turbines to create heat and/or electricity. The cooled water is then recycled back down into the aquifer via a second re-injection well.

The opportunity for Britain

The opportunities here in the UK are significant as the Government pushes to decarbonise heat as part of the transition to net zero in 2050. Currently in the UK, residential heating alone represents over 20% of primary energy demand, more than 90% of which is from non-renewable sources. In the challenge to meet net zero, decarbonising large-scale heat will be fundamental and needs to start happening in the short term. We believe there is the potential for approximately 50-100 geothermal projects across the UK with an average size of 10MW.

According to the British Geological Survey (BGS), geothermal energy resources in the UK are sufficient to deliver about 100 years of heat supply for the entire UK and to provide an equivalent of 85% of Scotland's and 9% of England's current electricity demand.

Success in Europe

Whilst this is still a nascent technology in the UK, over the past five years, the installed capacity of deep geothermal heating and cooling plants in Europe has increased by over 1GWth, with 327 plants, a total capacity of 5.5GWth, in operation.

In countries such as France, the Netherlands and Germany, which have similargeothermal potential, geothermal energy is contributing ever more significantly to the decarbonisation of the energy mix. As well as a considerable annual emissions saving (e.g. Germany: >1.7 million t CO_2 equivalent in 2017), the geothermal industry also provides considerable economic stimulus (e.g. Germany: €13.3 billion since 2000) and contributes to job generation (Germany: >22,000 jobs). Experience in these countries has shown that the success of geothermal development is closely linked to their governments' commitment to support this technology through policies, regulations, incentives and initiatives.

There are 57 plants in the Paris basin, providing heat around Paris, and in the area around Munich, Southern Germany, there are 37 projects that supply significant quantities of renewable heat to suburbs and towns.

Hydrogen

Developing hydrogen as part of the net zero ambition

The UK Government acknowledged with its "Ten Point Plan for a Green Industrial Revolution"[1] that hydrogen has a key part to play in the energy transition, providing a clean source of fuel and heat for our homes, transport and industry.

Because of its abundance in nature, hydrogen for use as a fuel source can be generated in a number of ways. The most common of these is a process known as Steam Methane Reformation (SMR). Invented in the 1930s and produced on an industrial scale at large centralised facilities such as refineries since then. Due to the centralised nature of its manufacture, users of hydrogen in the South-east of the UK have to get it trucked in from one of four manufacturing facilities either in the North-West, North East, or South Wales or from European manufacturers. This involves travelling large distances, which adds to the cost, and carbon footprint. These shipping costs, and the complexity of transporting hydrogen over long distances has consistently hampered the scale up of use of hydrogen by consumers and industry.

Recently the SMR technology has been miniaturised so the reforming units can be fitted within shipping container-sized facilities and deployed at distributed locations much closer to the point of use.

The process involves taking the raw feedstock (methane) and reacting it with steam to produce a pure supply of hydrogen, which will then be suitable for use in vehicle fuel cells. In this process, the carbon dioxide released is the same amount as if the gas were burnt in a boiler or gas engine. As this will happen at one location (in this case, our site), rather than the hundreds or even thousands of different locations where the gas might otherwise have been burned, it offers opportunities for us to capture and use it in beneficial ways, or to store it.

Is this clean energy?

Hydrogen produced will be used in an HGV or truck displacing the diesel which would otherwise have been used for fuel. The overall environmental emissions, even when releasing the CO_2, are reduced and along with no combustion related by-products of NOx, SOx, or other harmful particulates. Every litre of petrol or diesel displaced from the transport system (approximately the amount a typical car might use to drive six miles) saves about 3kg of carbon dioxide production.

1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936567/10_POINT_PLAN_BOOKLET.pdf

Chairman's Statement

Focused delivery in a challenging year

"We remain firmly focused on cost and capital discipline, controlling what is within our power in the near-term, whilst still continuing to build our business for the future."

At the time of writing, England is slowly emerging from its third national lockdown in less than 12 months. This reporting period has seen extraordinary challenges for individuals and businesses alike, as we all respond to the global public health emergency – COVID-19 – which has impacted, and continues to impact, all aspects of our lives.

As the scale and seriousness of the COVID-19 pandemic emerged, the initial focus and principal concern for the Company was, and remains, the health and safety of its employees, contractors, and communities. In this regard, all office-based employees have been working from home where possible since March 2020. The Company has established procedures and plans to ensure the continued safe operation of its production sites whilst adapting operations to enable and implement social distancing. Oil and gas workers are classified as 'key workers', recognising the importance of maintaining oil and gas supply to meet the UK's energy demands.

The oil price had already been impacted early in the year by OPEC's failure to reach an agreement on supply. The end of the first quarter saw a further significant reduction in commodity prices, principally due to COVID-19 related drop in demand for oil and gas, which affected both our revenues and profitability. Further details of our financial performance can be found in the financial review on pages 16 to 19. We took swift action to reduce costs and preserve cash in the business always being mindful of the longer-term effects those measures may have.

Despite these highly challenging circumstances, the Company has continued to make progress in a number of key areas and continues to adapt its business to operate, both in the current environment, and to develop its business strategies.

In 2020, we delivered production within the revised guidance, brought our waterflood projects online, which will bring increased production in 2021 and beyond, and completed a significant transaction with the acquisition of the geothermal energy developer, GT Energy (GTE).

The geothermal acquisition is a major strategic milestone for IGas. It provides us with an exciting entry point into this highly attractive growth market, one that has seen material progress in Europe over the past five years. The decarbonisation of electricity generation has already made significant steps forwards with renewables and gas replacing coal. The next significant area that must be addressed, namely to achieve the UK's net zero ambitions, is the decarbonisation of heat. We anticipate that this will dramatically increase the development of deep geothermal heating plants in the UK and across Europe.

There are considerable growth opportunities for IGas as we continue to look at ways of maximising returns from our existing operations and engineering expertise, repurposing our extensive infrastructure and seeking to high-grade potential opportunities for other forms of energy, including electricity generation and storage.

In October 2020, we announced a partnership with BayoTech, a leading technologies business in hydrogen generation systems. We have identified existing sites where the gas resource can be reformed into hydrogen which will then be sold to local or national customers.

In November 2020, the Government announced its "Ten Point Plan" for a green industrial revolution setting out a roadmap for the country's economic recovery: Building back better, supporting green jobs, and accelerating our path to net zero. We welcomed the long awaited Energy White Paper released the following month, which acknowledges that the UK's domestic oil and gas industry has a critical role in maintaining the country's energy security and is a major contributor to the economy.

The projection for demand for oil and gas, though much reduced, is still forecast to continue for decades to come and whilst Government stresses the importance of sourcing lower emission fuels, it does not tackle the issue of growing imports of oil and gas. According to the most recent analysis by the CCC for the Sixth Carbon Budget using their 'Balanced' and 'Headwinds' scenarios, import dependencies will rise to between 61% and 83% for gas and up to 40% for oil by 2050.

As we broaden our energy portfolio, engaging effectively with all our stakeholders helps inform our future plans. Listening and responding to the views of communities, regulators, policy makers and shareholders helps us better refine our business objectives and deliver value. A sustainable and responsible company is one that is committed to protecting and enhancing the wider environment and working with communities to provide them with lasting socio-economic benefits. Last year, we aligned ourselves with a number of the UN Sustainable Development Goals and we will continue to develop and grow our environmental KPIs. More can be found in our Sustainable and Responsible Business section on pages 24 and 25.

Despite the significant challenges the pandemic has presented us with, IGas' operations were safe and environmentally responsible. It is a reflection of our high standards that again led us to receive the RoSPA President's Award, representing 14 consecutive years of commitment to Occupational Health and Safety. Our ISO9001 and ISO14001 accreditation was also renewed during 2020, important benchmarks in managing our production processes and environment responsibilities.

People

The great majority of IGas staff who are able to work from home are still doing so and appropriate precautions in operations and offices have been implemented.

I am deeply impressed by the resilience our people have shown as we have adapted to new ways of working, while retaining an unrelenting focus on safety and delivery. I want to thank each and every one of our hardworking colleagues for their commitment and determination during such a tough year.

Outlook

The ongoing impacts of the COVID-19 pandemic continue to present a volatile and challenging trading environment. Whilst the International Energy Agency expects a strong oil price recovery in the second half of 2021, it has warned that fresh restrictions related to the SARS-CoV-2 virus will depress demand in the short term.

We remain firmly focused on cost and capital discipline, controlling what is within our power in the near-term, whilst still continuing to build our business for the future. Given that the shape and pace of economic recovery is uncertain, it would be imprudent to rule out future impacts on the business.

That said, we will continue to invest in our existing assets where appropriate to realise future benefits and to move ahead purposefully with our geothermal and hydrogen projects. What is clear, is that the UK has set out a pathway to net zero and recognising there is a role for oil and gas, as part of that evolution, IGas is committed to maximise the value of its extensive skill set and existing infrastructure to further progress its own energy transition pathway.

Cuth McDowell
Interim Non-executive Chairman

Our Values

Respect

Respect is paramount, for our people, our environment, our partners and the safety of others.

Performance

Performing to the highest standards internally and externally and delivering against our targets.

Transparency

We are honest about what we do, how we do it and the challenges we face. We are open to challenge, to discussion and to improving how we work to reflect our values.

Collaboration

We take on challenges and find solutions through mutual trust, knowledge sharing and teamwork.

Commitment

We are fully committed to preserving the environment and providing safe and healthy working conditions.

Our Stakeholders

Engaging in a meaningful way with those who matter.

"Listening and responding to the views of our stakeholders helps IGas better achieve its business objectives and deliver optimum outcomes for its communities, regulators, employees and shareholders."

The continued success of our business is dependent on the support of all of our stakeholders. Building positive relationships with stakeholders that share our values is important to us and working together towards shared goals assists us in delivering long-term sustainable success.

The Board of Directors of IGas believe that they have acted in a way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as in accordance with Section 172 of the Companies Act 2006. The Board recognises the importance of its wider stakeholders in the sustainability of its business. Accordingly, to fulfil their duties, the senior management team take care to have regard to the likely consequences on all stakeholders of the decisions and actions they take, with a long-term view in mind and with the highest standards of conduct. The Sustainable and Responsible Business Report (pages 24 and 25) and the Corporate Governance section (pages 26 to 45) set out in more detail how the Board has approached its duty under Section 172.

The Board and Executive Committee believe that fostering IGas' business relationships and maintaining effective stakeholder engagement should help to ensure that IGas is a company in which people want to invest, with which people want to partner and for which people want to work.

Government and Regulators

IGas works constructively with the government departments and regulators in the UK to ensure we meet or exceed the appropriate regulatory standards. We are subject to regular operational inspections, both scheduled and unannounced, to ensure we are always fully compliant.

Our approach to public and regulatory affairs is to directly engage with policymakers and pursue positive and constructive relationships. We also collaborate as a group of operators through our industry body, UKOOG (United Kingdom Onshore Oil and Gas) to promote better and more open dialogue with key stakeholders.

Our Regulators

The UK is recognised as a leading example for oil and gas industry regulation. Onshore oil and gas regulation is handled by four separate bodies.

The Health and Safety Regulator

The Health and Safety Executive (HSE) monitors oil and gas operations from a well integrity and site safety perspective. It ensures that safe working practices are adopted by onshore operators as required under the Health and Safety at Work Act 1974, and regulations made under the Act.

HSE works closely with the environment regulator and the Department for Business, Energy and Industrial Strategy (BEIS) to share relevant information on such activities and to ensure that there are no material gaps between the safety, environmental protection and planning authorisation considerations, and that all material concerns are addressed.

The Environmental Regulator

The role of environment regulation is handled by the Environment Agency (EA).

Onshore oil and gas exploratory activities require environmental permits issued under the Environmental Permitting Regulations (EPR 2010) and other permissions from the Environmental regulator, depending on the methods used and the geology of the site.

The environmental regulator is also a statutory consultee during the planning application conducted by the Mineral Planning Authority and also in the assessment of the Environmental Impact Assessment if this is required.

BEIS/Oil and Gas Authority

Under the Petroleum Act of 1998, the Crown has all ownership rights to hydrocarbon resources in the UK. Responsibility for administration on behalf of the Crown falls to the Secretary of State for BEIS, supported by the Oil and Gas Authority (OGA) as an independent body.

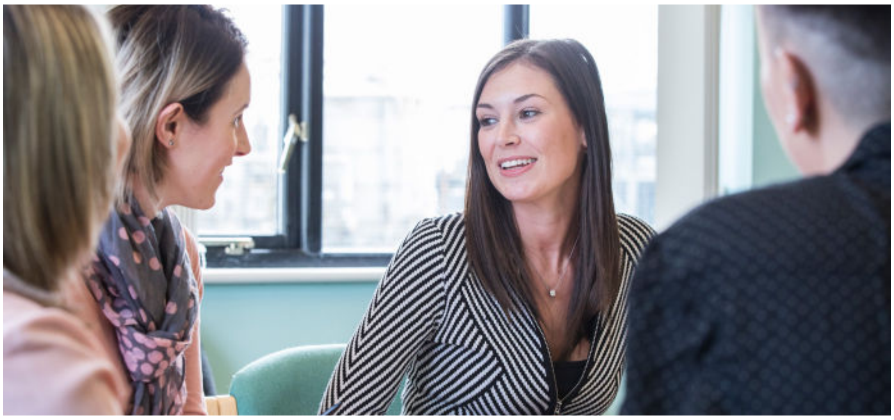
BEIS issues a 'Petroleum Exploration and Development Licence' (PEDL), which gives a company or group of companies (a joint venture) exclusive rights to explore for, and develop, the resource in a particular defined area.

Mineral Planning Authority (MPA)

MPAs (as part of local councils) grant planning permission for the location of any wells and well pads, and impose conditions to ensure that the impact on the use of the land is acceptable.

The planning system controls the development and use of land in the public interest. This includes ensuring that any new development is appropriate for its location. This takes into account the effects (including cumulative effects) of potential pollution on health, the natural environment or general amenity. In doing so, the focus of the planning system is on whether the application is an acceptable use of the land, and the impacts of those uses. Any control processes, health and safety issues or emissions themselves are then subject to the approval of the other regulators.

Our Stakeholders continued



Employees

The interests of our employees and wider workforce are important to the Directors because they are key stakeholders of the Company. We aim to create a working environment in which all individuals can make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. We are committed to creating a business that better represents society as a whole, and want to attract more people from ethnically diverse backgrounds at different levels of our organisation.

We want to continue to be an employer of choice, attracting and retaining the brightest and the best talent as our business adapts to a constantly changing business environment. The talents, skills and values of the people that work for IGas enable it to fulfil its purpose, achieve strategic goals and manage Principal Risks. That is why decent work and economic growth is one of the United Nation's Sustainable Development Goals adopted by IGas.

Employees are informed of changes in the business and general financial and economic factors influencing the Group. We are always looking at ways to improve communications to motivate employees.

IGas values the views of its employees and consults with them about matters that affect them and the business. We engage with our employees in a number of ways:

- Workplace & virtual "town hall" meetings;
- Tool box talks (for operators in the field);
- Suggestion boxes;
- Employee newsletters;
- Notice boards and monthly 'All Staff' email updates; and
- Management briefings and site visits.

Gender Diversity	2020	2019
Board diversity	(0/5)	(0/5)
Excom diversity	33% (3/9)	25% (2/8)
Workforce diversity	16% (21/133)	19% (29/147)

In addition to the ongoing delivering of individual and functional (competency-based) training, in light of the global pandemic we have provided guidance and training to staff on safety, health and hygiene, homeworking and mental health throughout the year. As part of our regular 'All Staff' monthly training programme, staff successfully completed a range of courses covering topics such as Health & Safety for Homeworkers, Mental Health Awareness, Cyber Security Awareness and Whistleblowing, as well as other obligatory courses covering Unconscious Bias for Employees, Modern Slavery and Equality & Diversity.

Communities

The support of our local communities is a key component of our social licence to operate. The majority of our workforce lives and works in the areas in which we operate, and the strength of our relationships with local residents is vital to us.

Whilst communities are involved in the statutory process of planning and environmental permitting, we seek to go beyond what is required of us from a regulatory perspective to better understand each community in which we operate.

IGas seeks to be an active contributor to the communities of which it is a part, and has an ongoing commitment to sharing value directly where it has been created, consistent with its strategic goal of creating value for shareholders and society. This approach is focused in a number of ways:

- A structured approach to engaging with suppliers and forming constructive local relationships so that communities derive economic and social benefit from IGas' investment;
- We aim to create local jobs and opportunities, thereby giving local economies a boost; and
- Through the IGas Community Fund, to deliver financial support to a diverse range of community projects run by legally-constituted community groups, non-profit organisations and registered charities in areas close to our operations.

Why we interact

- To ensure we act as a good neighbour;
- To support the sustainable socio-economic welfare of the areas in which we operate;
- To address community needs, including social or environmental concerns; and
- To foster open and transparent communications between ourselves and the communities in which we operate.

How we interact

- Engage with individuals and organisations in the local communities from an early stage;
- Implement community liaison groups;
- Public consultation events;
- Online and offline materials;
- Site visits and educational sessions; and
- We sponsor the IGas Community Fund.

IGas Community Fund

During 2020, the IGas Community Fund awarded c.£50,000 to community projects.

The Fund for 2020 was launched in October 2019 inviting applications from communities close to IGas operations in the South and the East Midlands. In the weeks that followed around 50 expressions of interest were received by email or telephone.

The fund panel met virtually in March 2020 to consider the applications and make the awards. Recipients included projects such as riverbank conservation, a therapeutic well-being garden and a cyber-reading café.

Much of the drawdown has been deferred due to COVID-19 as projects have been unable to go ahead, but we look forward to being able to release funds as soon as the projects are able to utilise them.

One project that did go ahead was the Owmby & Normanby Community Park.


Image: Before


Image: After

Case Study

As part of the 2019 fund launched in October 2018 we awarded £2,000 to the Owmby & Normanby Community Park Project. The project wrote to us during the year to update us on progress.

"In 2016, a local landowner gifted a field to the two parish councils of the villages of Owmby by Spital and Normanby by Spital in rural Lincolnshire. Since then, slow and steady progress has been made to create a much loved and well-used community park that has enormous potential for the future.

Since that time, the field has been drained, levelled and seeded: and pedestrian and vehicle gates added. The seeding took place last spring, 2019, and by August the site of the children's play area had been identified and a wonderful piece of play equipment installed, which has a climbing wall, rope bridge, climbing net and slide.

We have been delighted with the different age groups that are appreciating this wonderful outdoor space. This ranges from mums with babies sitting on the benches chatting, to small children on the play equipment, to teenagers chilling, to people pursuing the NHS Couch To 5k fitness regime to older people exercising their dogs or just sitting watching the sun go down.

It has been a strange spring and summer, but it has been made all the more bearable by having such a lovely space to spend quality time and enjoy the sunshine.

Thank you for the part that your organisation has played in making this dream a reality for our community."

Money awarded to the Owmby & Normanby Community Park Project

£2,000

CEO Statement/Operating Review

Harnessing new sources of indigenous energy for tomorrow

"I am excited about the various energy transition opportunities that we have identified in our existing and new businesses."

Introduction

The announcement by the World Health Organisation in March 2020, declaring the coronavirus outbreak a pandemic was an intensely sobering moment for everyone. As a company, we made clear from the outset that our overriding priority was the health and safety of all our employees, contractors and other visitors to sites, maintaining operations and supporting the safe and reliable production of energy.

Like every other company operating in the UK, we are not immune from the wider economic impacts of coronavirus and the significant reduction in global demand for oil and gas impacted our financial results. It is our job to guide the Company through this continued period of uncertainty and ensure it is well-placed for the economic recovery when it comes.

We moved quickly to mitigate the immediate impacts of COVID-19 and the fall in oil price by shutting in sites to preserve cash and as low commodity prices continued we undertook a further, in-depth review of costs. The outcome of that exercise resulted in a redundancy programme, salary replacement for the Board and senior executives, and a reduction in benefits across the organisation. These measures, coupled with the cost savings made in the first half of the year, have amounted to a cash saving in 2020 of £0.6 million. Further savings of £1.0 million are expected in 2021. We vacated our London premises at the earliest opportunity, at the end of March 2021, and until there is more certainty, our London based employees will continue to work remotely.

2020 was a pivotal year for the Company. Last year, I outlined our desire to position IGas to deliver a variety of energy sources to the UK and, in September, we took a bold step in realising that aspiration by acquiring a deep geothermal development business. We also took our first steps to allow us to advance hydrogen production opportunities through the partnership agreement we announced in October 2020, with BayoTech. This will enable us to monetise stranded gas reserves and increase the value of the gas we produce, whilst pioneering the use of small-scale SMR equipment in the UK.

During the year, as part of our approach to responsible and sustainable development we undertook to align ourselves to a number of the United Nation's Sustainable Development Goals. We recognise the need to reduce greenhouse gas (GHG) emissions and strive to reduce them through new initiatives, including the installation of best available technology to all new projects to minimise their carbon intensity. Read more in our Sustainable and Responsible Business section on page 24.

Operating Review

Production

Net production for the period averaged 1,907 boepd, in line with our revised forecast of 1,850 - 2,050 for the full year. We anticipate net production in 2021 of between 2,150 boepd and 2,350 boepd, assuming there are no further significant disruptions to our business from COVID-19.

In May 2020, when the oil price was trading at c.$25/bbl, we announced a temporary shut-in of a number of fields for the months of May and June. The impact of the shut-ins was a reduction in production by c.600 boepd for this period. This action had a positive impact on cash flow during these two months of c.£0.5 million. Those employees that were impacted by the shut-ins were furloughed in line with the Government scheme.

We have, since then, returned all but two fields back to production following improvements in the oil price. As the majority of our sites are 100% owned and operated by us, it gave us the flexibility to take shut-in decisions quickly and the ability to rapidly restore production, at some of our fields, once energy prices improved.

Given the fall in oil prices, we reviewed our capital expenditure programme for the year and reduced it broadly by half to focus on maintenance capex, abandonment and capital for projects already in execution which amounted to £6.0 million. IGas retains significant flexibility over its capital expenditure, and will ensure that as we move forward, expenditure commitments are appropriate in the macro environment.

It is our highest priority to continue to operate all of our assets in a safe and responsible manner, to ensure the safety of our workforce and communities in which we work and to minimise the potential risk to the environment. Throughout 2020, we worked closely with all our regulators to ensure we met the stringent guidelines in respect to COVID-19.

IGas Group Net Reserves & Contingent Resources as at 31 December 2020 (MMboe)	1P	2P	2C
Reserves & Resources as at 31 December 2019	10.55	16.05	19.51
Production during the period	(0.68)	(0.68)	–
Revision of estimates	1.87	1.75	0.84
Reserves & Resources as at 31 December 2020	**11.74**	**17.12**	**20.35**

Reserves and Resources

In February 2021, IGas announced the publication of the Competent Persons Report (CPR) by DeGolyer & MacNaughton (D&M), a leading international reserves and resources auditor.

The report comprised an independent evaluation of IGas conventional oil and gas interests as of 31 December 2020. The full report can be found on the IGas website *www.igasplc/investors/publications-and-reports*

The report confirms a continuing high reserves replacement of 2P reserves of approximately 250% reflecting the good performance of our production assets and progression of projects demonstrating the significant upside that remains in our conventional portfolio. Some 75% of the 2P is developed meaning it does not require any capital investment to produce.

IGas has a track record of significant reserves replacement with a three-year average of over 200%.

This independent report valued our conventional assets at c.$204 million on a 2P NPV10 basis: 1P NPV10 of $150 million (based on forward oil curve of 2021 $53/bbl; 2022 $56/bbl; 2023 $58/bbl; 2024 $59/bbl; 2025 $62/bbl).

Development

Conventional

In spite of the considerable challenges related to the COVID-19 pandemic, we commenced water injection at our Scampton North site on schedule and on budget in July 2020. As well as increasing oil production, the in-field pipeline and a new processing facility at the Scampton North C-Site will provide greater efficiency and environmental improvements by reducing venting, the need to truck water to the Welton Gathering Centre, as well as increasing the amount of gas available for power generation. The latest D&M CPR estimates this project will increase production from the Scampton field by 180 Mbbl (2P-Proved plus Probable reserves) and our mid-case economics for the project have an IRR of over 40% and a NPV of £2.5 million (which assumes a long-term oil price of $55/bbl).

Our second waterflood opportunity in the southern section of the Welton Field experienced delays predominantly with the supply chain and resource availability due to the pandemic, however, the project was brought online in January 2021, slightly behind our planned initial production of Q4 2020 and largely in line with budget. This is a material project in IGas' inventory, developing approximately 660 Mbbl of 2P reserves and adding over 100 bbls/d incremental production with a base case NPV10 of c.£7 million (assuming a long-term oil price of $55/bbl).

Both these projects are important advancements in developing the Company's 2P reserves.

Work on other projects, to appraise the potential that exists in our prospective resources such as the prospect at Godley Bridge in the South-east, will ramp-up again once there is more certainty in energy prices.

CEO Statement/Operating Review continued

Gas from Shale

The effective moratorium on high volume hydraulic fracturing for shale gas, that was introduced by the Government in November 2019, remains in place until new evidence is provided. IGas along with its industry peers continues to be committed to working closely with the OGA and other regulators to demonstrate that we can operate safely and in an environmentally responsible manner, and we remain confident of doing so by adopting a rigorous scientific approach.

It is worth noting that the Gainsborough Trough, where our world-class Springs Road gas asset is situated, is characterised by its structural simplicity and limited faulting. This has been confirmed by the recent reinterpretation of the 69 sq km reprocessed 3D seismic data around the Springs Road area which was originally acquired in 2014.

In November 2020, IGas submitted a Section 73 Planning Application to vary a condition of our existing Planning Permission in order to extend the operational period of the site for a further three years. The application was validated by Nottinghamshire County Council the same month.

Ellesmere Port Appeal

Our application to conduct a well test at our existing Ellesmere Port well, originally drilled in November 2014, was submitted on 21 July 2017. Following the Planning Committee's refusal against Officer recommendation in January 2018, a 12-day Planning Appeal was held between 15 January 2019 and 6 March 2019. The Secretary of State recovered the appeal on 27 June 2019. Some 21 months later and 44 months after the initial application, a decision is still awaited, despite the Written Ministerial Statement in May 2018 committing to a rapid turnaround in decisions.

Geothermal

Despite the challenges the pandemic has presented, we completed a significant transaction with the acquisition of the geothermal developer, GTE. This equity-funded deal was a major strategic milestone for the Company given our intention to play an important role in the UK's energy transition and is a logical step given the development and operational synergies with our onshore business.

There are many synergies between our existing skill sets. Essentially this is a very similar process in terms of geological interpretation, drilling, completion and facility design; we are just looking for a different resource, a permeable heat reservoir.

Read more about the benefits and opportunities for deep geothermal in the UK on pages 4 and 5.

GTE's principal project is a 14MW deep geothermal project in the Etruria Valley, Stoke-on-Trent. The project is anticipated to supply zero carbon heat to the city of Stoke-on-Trent on a long-term 'take or pay' contract with Stoke-on-Trent City Council (SoTCC). It is anticipated that the heat will be supplied through the SoTCC owned and operated district heating network, which is undergoing installation. All the geophysical work on the project is complete and the necessary permitting in place. We await the grant of the renewed planning permission.

Like many other things however, COVID-19 has taken its toll on the project and this has meant that all construction of the heat network has paused and the TPA (thermal purchase agreement) has not been completed. However, in an effort to progress the project, we have entered into discussions with the council and Engie to deliver the project. This structure would take all financial risk away from the council and allow the project to proceed at a faster pace.

Discussions with Government regarding future financial support for renewable heat from geothermal beyond the closure of the Non-domestic Renewable Heat Incentive on 31 March 2021, are both ongoing and positive.

The Renewable Energy Association (REA) and ARUP supported by GTE and other industry players will launch a report in April 2021 into the economic opportunity of harnessing deep geothermal energy to solve the decarbonisation of heat in the UK. The report will highlight the significant geothermal resource that exists within the UK and show how other European countries with similar resources have been successful in exploiting their resources. A number of MPs have already indicated their support for developing an industry to harness geothermal.

We have identified a number of strategic geothermal development locations across the UK and are working at converting these into a development pipeline of projects. Areas include Newcastle, Crewe, and Southampton.

Hydrogen

In October 2020, IGas announced that it had entered into a partnership agreement with BayoTech, a manufacturer of modular SMR equipment.

BayoTech, whose high efficiency, low carbon technologies originated in Sandia National Laboratories, is a hydrogen generation technology company offering hydrogen production solutions through rentals, leases, sales and gas as a service to customers worldwide. Headquartered and produced in New Mexico, USA, BayoTech's on-site hydrogen generators are more efficient than legacy SMRs, leading to lower carbon emissions and low-cost hydrogen. In January 2021, BayoTech received an equity investment of up to $157 million from Newlight Partners LP, to accelerate its strategic growth.

The Company's intent is to utilise this equipment to produce high quality hydrogen from its gas producing assets and from stranded gas assets.

IGas has initially identified two of its existing sites, in the South-east, where the gas resource can be reformed into hydrogen which will then be sold to local or national customers. We expect to advance these projects in 2021.

Outlook

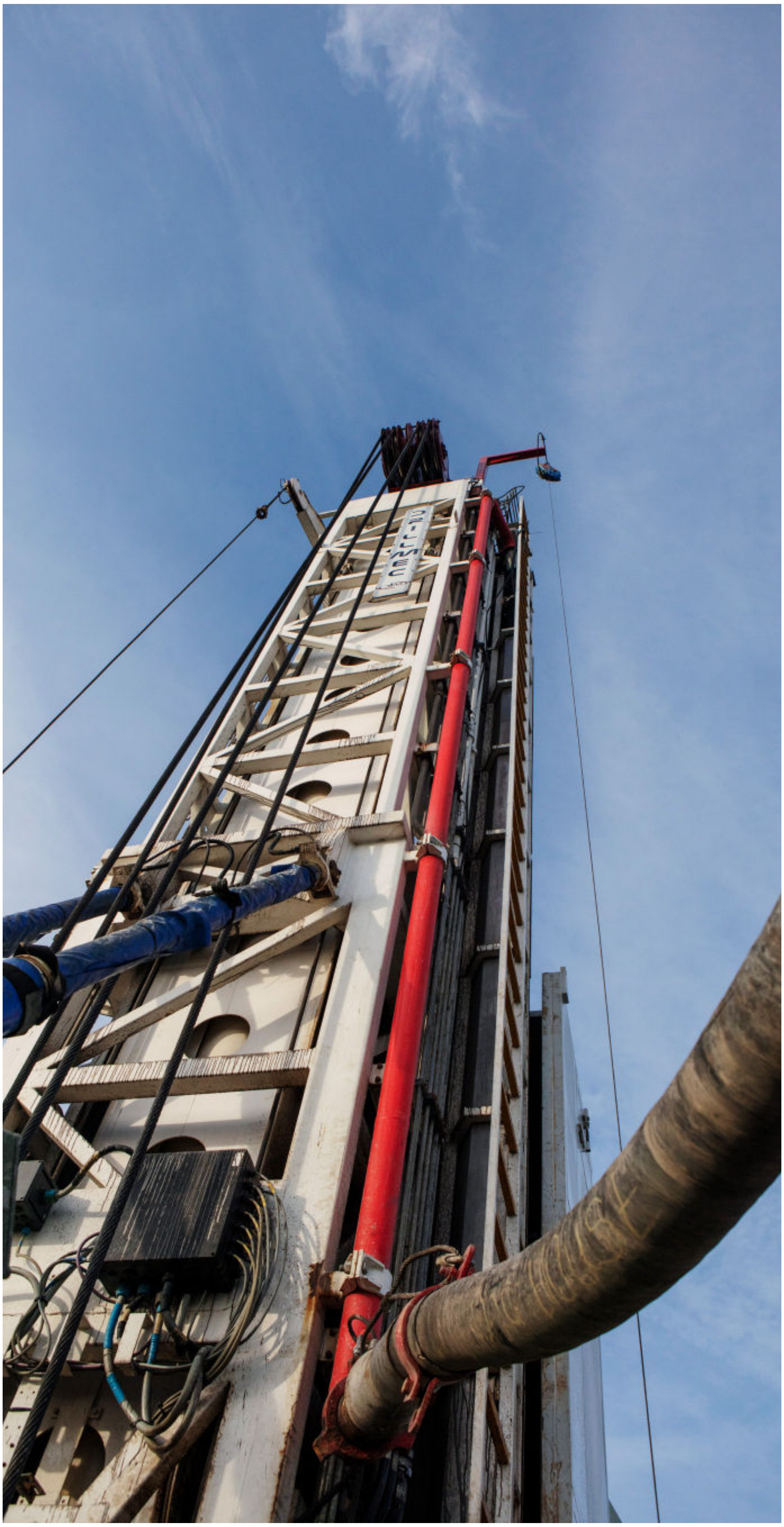
Given the rapidly changing environment that the COVID-19 pandemic has created, it is still difficult to forecast with accuracy the full extent of the pandemic's impact on business. However, through all of this, the underlying operations of the Company remained safe and steadfast, and projects continued to be brought online. None of this could have been achieved without the commitment and resilience of all our teams.

I am excited about the various energy transition opportunities that we have identified in our existing and new businesses. Our land portfolio is well suited to the development of renewable and hybrid flexible power generation and our assets have the potential for carbon storage close to emitters.

The BGS recently estimated that geothermal energy resources in the UK are sufficient to deliver about 100 years of heat supply for the entire UK. The publication of the UK Government's Ten Point Plan and Energy White Paper provides a strong platform for our geothermal business to contribute significantly towards the decarbonisation of large-scale heat.

We look forward to advancing these and other opportunities that will allow IGas to make material contributions to the Green Energy Revolution whilst continuing to maximise returns from our conventional portfolio given the clear need for oil and gas in a 2050 net zero environment.

Stephen Bowler
Chief Executive Officer



Financial Review

Sharp focus on costs and cash preservation

"The Group continues to closely monitor and manage its liquidity risks."

During 2020, the average monthly price of Brent crude ranged between $16/bbl and $70/bbl. The lower average price of $42/bbl for the year versus $64/bbl for 2019 had a negative impact on our revenues. The average GBP/USD exchange rate for the year was broadly in line with the previous year at £1: $1.29 (2019: £1: $1.28).

For the year ended 31 December 2020 adjusted EBITDA was £4.0 million (2019: £13.8 million) whilst a loss was recognised from continuing activities after tax of £42.1 million (2019: loss £49.8 million). The main factors driving the movements between the years were as follows:

- Revenues decreased to £21.6 million (2019: £40.9 million) principally due to lower oil prices and a 17% decrease in oil sales volumes as a number of sites were shut-in for a period due to the impact of COVID-19. This was partially offset by a realised gain on oil price hedges of £4.6 million;
- Other costs of sales decreased to £17.5 million (2019: £20.5 million). Operating costs were £3.0 million lower than the prior year as the decision to temporarily shut in a number of sites led to lower production, transportation and maintenance costs;
- DD&A decreased to £6.0 million (2019: £9.1 million) due to lower production volumes and the impact of an increase in reserves on the depletion rate;
- Administrative expenses increased by £0.8 million to £5.3 million (2019: £4.5 million). Savings during the year following cost saving measures were offset by redundancy costs of £0.6 million, one-off acquisition costs related to GTE of £0.2 million and lower allocation to capital projects and lower recoveries from partners due to lower activity during the year;
- An impairment of £38.5 million (2019: £nil) was recognised on oil and gas assets due to lower oil price forecasts. Exploration and evaluation assets of £0.1 million were written off during the year (2019: £53.9 million written off primarily relating to our shale assets in the North West following the effective moratorium on fracking in England);
- Net finance costs decreased to £2.2 million (2019: £3.4 million) due to lower borrowings combined with lower interest costs following the refinancing in October 2019 and gains on foreign exchange; and
- A tax credit of £2.0 million was recognised mainly due to adjustment to losses brought forward due to Ring Fence Expenditure Supplement claims (2019: £9.3 million recognised due to the recognition of a deferred tax asset relating to ring-fence tax losses).

Income statement

The Group recognised revenues of £21.6 million for the year (2019: £40.9 million). Group production for the year averaged 1,907 boepd (2019: 2,325 boepd). Revenues included £1.1 million (2019: £2.4 million) relating to the sale of third party oil, the bulk of which is processed through our gathering centre at Holybourne in the Weald Basin.

The average pre-hedge realised price for the year was $39.1/bbl (2019: $61.7/bbl) and post-hedge $48.4/bbl (2019: $60.1/bbl). A gain of £4.6 million was realised on hedges during the year due to a successful hedging programme (2019: realised loss of £1.0 million). The average GBP/USD exchange rate for the year was £1: $1.29 (2019: £1: $1.28).

Cost of sales for the year were £23.5 million (2019: £29.6 million) including depreciation, depletion and amortisation (DD&A) of £6.0 million (2019: £9.1 million), and operating costs of £17.5 million (2019: £20.5 million). Operating costs were £3.0 million lower than the prior year due to decrease in production and transportation costs of $1.4 million and maintenance costs of $0.6 million. Operating costs include a cost of £1.0 million (2019: £2.2 million) relating to third party oil. The contribution received from processing this third party oil was £0.1 million (2019: £0.2 million).

Operating costs per barrel of oil equivalent (boe) were £25.8 ($33.3), excluding third party costs (2019: £23.6 ($30.1) per boe). Savings in absolute operating costs were offset by lower production volumes.

Adjusted EBITDA in the year was £4.0 million (2019: £13.8 million). The gross loss for the year was £1.9 million (2019: gross profit of £11.3 million).

Administrative costs increased by £0.8 million to £5.3 million (2019: £4.5 million). A cost saving programme reduced costs by c.£0.6 million net of redundancy costs of £0.6 million. However, net administrative costs increased due to a lower allocation to capital projects and lower recoveries from partners due to lower activity during the year. The Group also incurred costs related to the acquisition of GTE of £0.2 million.

An impairment of £38.5 million was recognised on oil and gas assets during the period (2019: £nil) primarily as a result of lower oil price forecasts. The future cash flows were estimated using price assumptions for Brent of $50-55/bbl for the years 2021-2022 and $60/bbl thereafter. Management also performed sensitivity analysis on the key assumptions. See note 12 for further details.

Exploration and evaluation assets of £0.1 million were written off during the year (2019: £53.9 million written off primarily relating to our shale assets in the North West following the effective moratorium on fracking in England).

Net finance costs were £2.2 million (2019: £3.4 million) primarily related to interest and fees on borrowings of £1.3 million (2019: £1.9 million) and the unwinding of discount on provisions of £1.5 million (2019: £1.3 million), offset by a net foreign exchange gain of £1.5 million, principally on US dollar denominated debt and US dollar bank balances and a successful foreign exchange hedging programme (2019: gain £0.3 million). Interest on leases was £0.8 million (2019: £0.7 million).

The Group recognised a net gain on oil price derivatives of £3.5 million for the year (2019: loss £3.3 million) and a gain on foreign exchange hedges of £0.2 million (2019: gain £0.3 million).

A tax credit of £2.0 million was recognised mainly due to the adjustment to losses brought forward due to Ring Fence Expenditure Supplement claims (2019: a tax credit of £9.3 million mainly due to the recognition of a deferred tax asset relating to ring-fence tax losses).

	31 December 2020 £m	31 December 2019 £m
Debt (nominal value excluding capitalised expenses)	(14.6)	(14.4)
Cash and cash equivalents	2.4	8.2
Net Debt	**(12.2)**	**(6.2)**

Cash flow

Net cash generated from operating activities for the year was £3.6 million (2019: £12.0 million). The decrease was primarily due to lower revenue, net of realised hedge income, and working capital movements. The decrease was partially offset by cost savings.

The Group invested £8.5 million across its asset base during the year (2019: £6.4 million). £6.2 million was invested in our conventional assets primarily on the Scampton North and Welton waterflood projects and to optimise existing facilities and systems. £2.3 million, net of recoveries from our joint venture partners, was invested in progressing the Group's shale programme and on working up additional exploration opportunities on conventional assets.

The Group spent £1.3 million on its abandonment programme during the year (2019: £1.8 million).

The Group made a net drawdown of £0.9 million ($1.0 million) under its Reserve Based Lending facility (the RBL) and paid £0.9 million ($1.2 million) in loan interest (2019: £2.0 million ($2.6 million)).

To protect against the volatile oil price, the Group places commodity hedges for a period of up to 12 months. As at 31 December 2020, the Group had hedged a total of 369,600 bbls for 2021, using a combination of collars (166,800 bbls at an average downside protected price of $43.0/bbl) and fixed price swaps (202,800 bbls at an average fixed price of $44.7/bbl).

Cash and cash equivalents were £2.4 million at the end of the year (2019: £8.2 million).

Balance Sheet

Net assets decreased by £39.8 million to £73.3 million at 31 December 2020 (2019: £113.1 million), mainly related to an impairment of oil and gas assets of £38.5 million (2019: £nil).

The Group recognised an intangible development asset of £3.2 million on the acquisition of GTE in September 2020.

The Group also recognised an increase in the net deferred tax asset of £2.0 million due to a decrease in accelerated capital allowances liability offset by a decrease in losses recognised (2019: increase in net deferred tax asset of £9.3 million).

Changes to the estimate of decommissioning costs following an internal review increased both assets and liabilities by £6.2 million (2019: increase of £7.7 million).

At 31 December 2020, right of use assets capitalised was £7.7 million (2019: £7.7 million) and lease liabilities increased to £7.5 million (2019: £7.2 million) (see note 14).

At 31 December 2020, the Group has a combined carried gross work programme of up to $218 million (£160 million) (2019: $214 million (£161 million)) from its partner, INEOS Upstream Limited. In 2020, £0.4 million (2019: £7.3 million) gross costs were carried, principally in relation to activities at Springs Road, which have not been included in the additions to intangible exploration and evaluation assets during the year.

Borrowings increased from £13.1 million to £13.7 million due to net drawdowns of £0.9 million, offset by a revaluation gain of £0.6 million and amortisation of capitalised fees of £0.3 million.

Net debt at the year end, being the nominal value of borrowings less cash and cash equivalents, was £12.2 million (2019: £6.2 million).

Financial Review continued

Going Concern

The Group continues to closely monitor and manage its liquidity risks. Cash flow 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, management's best estimate of foreign exchange rates and the Group's available loan facility under the RBL. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, strengthening of sterling and reductions in forecast oil and gas production rates.

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 RBL, which is re-determined semi-annually based on various parameters (including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants. Whilst we have better financial flexibility and a reduced overall cost of debt under the RBL and have successfully completed the 2020 year-end re-determination, we have re-evaluated our priorities in the short-term to ensure we weather both any oil price weakness and other impacts of COVID-19, including potential disruption to the Group's operational activities which could impact earnings, cash flows and financial condition of the Group.

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases worldwide. Measures taken by various governments to contain the virus affected global economic activity and resulted in a significant reduction in demand for oil. The fall in oil demand led to a fall in oil prices from around $60/bbl at the start of 2020 to a low of under $20/bbl in April 2020. Although the oil price has recovered sharply since then, to close 2020 above $50/bbl and has had a strong start to 2021, there remains significant uncertainty as to how COVID-19 and its aftermath will impact economies, oil demand and therefore oil price over the near and mid-term.

Management has also considered the impact of the COVID-19 global crisis on the Group's operations. We continue to monitor the situation closely and act within Government guidelines and have a number of contingency plans in place should our operations be significantly affected by the coronavirus. Many of our sites are remotely manned and at this stage we are well equipped as a business to ensure we maintain business continuity. Our production comes from a large number of wells in a variety of locations and we have flexibility in our off-take arrangements. We continue to liaise and co-operate with all the relevant regulators.

The Group's base case cash flow forecast was run with average oil prices of $61/bbl for 2021 and $58/bbl in 2022, with a foreign exchange rate of $1.40/£1 during the period. Our modelling included the benefits of the Group's commodity hedging policy with 369,600 bbls hedged at an average minimum price of $44/bbl. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility. Given the uncertainties described above, the level of Group revenues and availability of facilities under the RBL are inherently uncertain. As such management has also prepared a downside forecast with average oil prices at $63/bbl in the second quarter of 2021 and have then modelled in a sudden crash in price to $43/bbl in July 2021 with prices remaining at that level for a year before increasing to $45/bbl in July 2022. Our downside case also included an average reduction in production of 5% over the period and a strengthening of sterling against the US dollar with rates moving to $1.45 by October 2021 and remaining at this level for 2022. To manage the impact of the downside scenario modelled, management would take mitigating actions, including further commodity hedging, delaying capital expenditure and additional reductions in costs in order to remain within the Group's debt liquidity covenants. All such mitigating actions are within management's control.

In the downside case, management would also consider additional cash generating opportunities for the Group. While management acknowledges that these may not be completely in our control, we have assumed that cash flow from some of these opportunities would be available in 2022. In this downside scenario, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants for the 12 months from the date of approval of the financial statements. However, should oil price or demand (and therefore revenue) fall below our downside scenario oil price forecast, the Group may not have sufficient funds available for 12 months from the date of approval of these financial statements.

As a result, at the date of approval of the financial statements, there continues to be a material uncertainty in respect of the potential impact of COVID-19 on the Group's operational activities and future commodity prices. These material uncertainties may cast significant doubt upon the Group's ability to continue as a going concern. Notwithstanding these material uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Stephen Bowler
Chief Executive Officer

Adjusted EBITDA

Adjusted EBITDA and underlying operating (loss)/profit are considered by the Company to be useful additional measures to help understand underlying performance.

Adjusted EBITDA	2020 £m	2019 £m
Loss before tax	(44.1)	(59.1)
Net finance costs	2.2	3.4
Loss on refinancing	–	0.7
Changes in fair value of contingent consideration	0.2	–
Depletion, depreciation & amortisation	6.3	9.2
Impairments/write-offs	38.6	58.7
EBITDA	**3.2**	**12.9**
Lease rentals capitalised under IFRS 16	(1.8)	(2.0)
Share-based payment charge	1.0	0.8
Unrealised loss on hedges	0.8	2.1
Redundancy costs	0.6	–
Acquisition costs	0.2	–
Adjusted EBITDA	**4.0**	**13.8**

Underlying operating (loss)/profit	2020 £m	2019 £m
Operating loss	(42.1)	(55.0)
Lease rentals capitalised under IFRS 16	(1.8)	(2.0)
Share-based payment charge	1.0	0.8
Impairments/write-offs	38.6	58.7
Unrealised loss on hedges	0.8	2.1
Redundancy costs	0.6	–
Acquisition costs	0.2	–
Underlying operating (loss)/profit	**(2.7)**	**4.6**

	2020 £m	2019 £m
Revenues	21.6	40.9
Adjusted EBITDA	4.0	13.8
Underlying operating (loss)/profit	(2.7)	4.6
Loss after tax	(42.1)	(49.8)
Net cash from operating activities	3.6	12.0
Net debt[1]	12.2	6.2
Cash and cash equivalents	2.4	8.2
Net assets	73.3	113.1

1 Net debt is borrowings less cash and cash equivalents excluding capitalised fees.

Realised Price Per Barrel	2020 $	2019 $
Realised price per barrel	48.4	60.1
G&A per boe	10.3	7.0
Other operating cost (underlying) per boe	24.3	22.2
Well services per boe	5.4	4.5
Transportation and storage per poe	3.6	3.4

Key Performance Indicators

Measuring our progress

IGas tracks both financial and non-financial metrics to help the Group manage its long-term performance and measure progress against its strategy.

Non-financial

Lost Time Injuries (LTI) (number)

Nil

2020	**Nil**
2019	Nil
2018	One
2017	Two
2016	Nil

Progress on Development – asset optimisation, oil and gas opportunities and diversification

2020 **Completed the acquisition of GTE, a geothermal developer with a flagship project in Stoke-on-Trent. Signed partnership agreement with BayoTech for development of hydrogen on existing sites. Scampton waterflood project online.**

2019 Drilled a vertical well at Springs Road and announced a world-class shale discovery in June.

2018 Completed site construction at both Tinker Lane and Springs Road; drilled a vertical well at Tinker Lane and plugged and abandoned the well following completion of drilling; and appealed the decision for flow tests at Ellesmere Port following rejection of the application by Chester West and Chester council.

2017 Granted planning permission for a vertical well in PEDL 200 (Tinker Lane); planning conditions discharged and site construction commenced for both Springs Road and Tinker Lane; submitted planning application for flow tests at existing Ellesmere Port well; and submitted a scoping request for drilling and hydraulically fracturing a well at Ince Marshes in the NW.

2016 Granted planning consent for two wells (horizontal and vertical) in PEDL 139/140 (Springs Road); submitted planning application for drilling in PEDL 200 (Tinker Lane); received five new shale licences in the 14th Round; and completed interpretation of 3-D seismic in the NW.

Reasons for choice

Health and safety is of paramount importance to us in providing the highest level of protection to all our stakeholders.

The Group intends to play an important role in the UK's energy transition and position itself as a flexible deliverer of a variety of energy sources whilst maximising opportunities in its existing business.

How we measure

We tracked nine leading and eleven lagging indicators during the year and these are reported to the Board on a monthly basis. We aim to have zero LTIs but when we do have an LTI this is fully investigated with clear remedial action as required and communication of learnings to the organisation.

Progress against budgeted work programmes is tracked on a monthly basis and reported to the Board. Where progress is slower than expectations, actions are taken to understand the reasons and issues addressed.

Target and results for 2020

The target was to have zero LTIs and this was achieved in the year. We have again maintained our ISO 9001 and 14001 accreditations with no major non-conformances identified.

The key target was to complete a strategic partnership or acquisition. This has been successfully achieved by the acquisition of GTE and the partnership with BayoTech, both of which will contribute to IGas' diversification and asset optimisation strategy.

Remuneration

This measure is used to determine the level of annual cash bonus.

This measure is used to determine the level of annual cash bonus.

Financial

Production (boepd)

1,907 boepd

2020	**1,907 boepd**
2019	2,325 boepd
2018	2,258 boepd
2017	2,335 boepd
2016	2,355 boepd

Reasons for choice

The Group aims to maintain production levels to provide operating cash flow for funding of the Group. To ensure this target is met an appropriate level of capital investment is planned to mitigate against the underlying decline in our mature fields.

How we measure

Daily and weekly production is monitored for all producing assets and reported weekly to senior management and monthly to the Board. Monthly production forecasts are prepared during the year to measure progress against the production target.

Target and results for 2020

Production for 2020 was 1,907 boepd which was within the revised target range of 1,850 – 2,050 boepd. During the year, management took action to mitigate the immediate impacts of COVID-19 and the fall in oil price by shutting in sites to preserve cash resulting in a decrease in production of c.600 boepd. Against the challenges presented by the pandemic, production remained robust and an important waterflood project, at our Scampton site, was brought online as scheduled.

Remuneration

This measure is used to determine the level of annual cash bonus.

Operating Costs ($/boe)

$33.3/boe

2020	**$33.3/boe**
2019	$30.1/boe
2018	$32.0/boe
2017	$28.5/boe
2016	$28.8/boe

Reasons for choice

Operating costs per boe is a key focus for the Group as keeping costs low will improve the cash that we generate from our producing assets.

How we measure

Operating costs are monitored closely to ensure that budget targets are being met. Operating costs are reported on a monthly basis to the Board and actions are taken, as required, to control costs in line with the budget.

Target and results for 2020

Operating costs for 2020 were $33.3/boe exceeding the target of $31.1 set for the year. Absolute operating costs were below budget for the year at £17.5 million. However, this was offset by the fall in production rates due to the temporary shut-in of sites.

Remuneration

This measure is used to determine the level of annual cash bonus.

Operating cash flow before working capital movements (£m)

£3.3m

2020	**£3.3m**
2019	£14.3m
2018	£11.6m
2017	£8.9m
2016	£9.6m

Reasons for choice

Operating cash flow is key to providing funding for investing in the business as we pursue our growth strategy.

How we measure

Operating cash flow is reported to the Board on a monthly basis. Regular forecasts are undertaken to ensure operating cash flow is in line with budget, as well as longer-term forecasts to ensure that the strategy of the business can be adequately funded.

Target and results for 2020

Operating cash flow before working capital movements for 2020 was £3.3 million which did not achieve the target set for the year. The COVID-19 pandemic had a significant impact on commodity prices for the year. We acted to mitigate the fall in oil price by shutting in sites to preserve cash which has a positive impact on cashflow of c.£0.5 million. As low commodity prices continued we undertook a further, in-depth review of costs. The outcome of that exercise resulted in a redundancy programme, salary replacement for the Board and senior executives, and a reduction in benefits across the organisation. These measures coupled with the costs savings made in the first half of the year generated a cash saving in 2020 of £0.6 million.

Remuneration

This measure is used to determine the level of annual cash bonus.

Risk Management

Understanding the risks associated with our operations

Direction of change

▲ Increase

◀▶ No change

▼ Decrease

Risk	Executive Ownership	Mitigation	Change
Strategic			
1. **Exposure to political risk** This can include changes in Government or the effect of a 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.	CEO – Stephen Bowler	Directly and 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.	◀▶
2. **Strategy performance** Strategy fails to meet shareholder expectations.	CEO – Stephen Bowler	Provide clear, transparent and consistent communication to all stakeholders. Ensure delivery against the five-year plan. Regular meetings with shareholders and potential shareholders.	◀▶
3. **Climate change** Changes in laws, regulations, policies, obligations and social attitudes relating to the transition to a lower carbon economy could lead to higher costs, or reduced demand and prices for hydrocarbons, impacting the profitability of the Group.	CEO – Stephen Bowler	The Group works closely with regulators to ensure that all required planning consents and permits for operations are in place and maintains continual dialogue with all stakeholders to understand emerging requirements. The Board actively reviews the Group's strategy to ensure it remains relevant and will provide long-term returns to shareholders. The Group's strategy includes diversification into the wider energy market such as geothermal energy and hydrogen generation which it believes can form a key part of the UK's transition to net zero in 2050 developing a competitive advantage and distinguishing IGas from its peers.	▲
4. **Cyber security** Exposure to a serious cyber-attack which could affect the confidentiality of data, the availability of critical business information and cause disruption to our operations.	Development Director – Ross Glover	The Group outsources its provision of IT equipment and help desk services to a third party and ensures that staff are trained in security awareness. The Group has been accredited with Cyber Essential Plus which demonstrates commitment to cyber security.	◀▶
Operational			
5. **Planning, environmental, regulatory, licensing and other permitting risks** Planning, environmental, licensing and other permitting risks associated with operations and, in particular, with drilling and production operations.	CEO – Stephen Bowler	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. Continual dialogue with local authorities to understand requirements.	◀▶
6. **Oil or gas production** Oil or gas is not produced in the anticipated quantities from any or all of the Group's assets or that oil or gas cannot be delivered economically.	Production Director – Chris Beard	The Group considers that such risks are mitigated given that its producing assets are located in established oil and gas producing areas, there is a portfolio of producing assets and its operating staff have extensive expertise and experience.	◀▶

Risk	Executive Ownership	Mitigation	Change
Operational continued			
7. Shale gas resources Successful development of shale gas resources is not achieved. Effective moratorium remains in place.	Development Director – Ross Glover	The Group continues to work with Joint Venture Partners, other operators, the Government and regulators to undertake a body of scientific work to allow the submission of a Hydraulic Fracture Plan.	▲
8. Loss of key staff Loss of key staff.	CEO – Stephen Bowler	Provide and maintain a competitive remuneration package to attract the correct calibre of staff. Build a strong and unified team and ensure we have a clearly defined people strategy based on culture and talent. Development plans in place for all staff.	◀▶
9. Pandemic Exposure to a global pandemic, such as COVID-19, that leads to reduction in staff availability, disruption to the Group's operations and delays to the supply chain.	CEO – Stephen Bowler	The Board has put in place business continuity plans to manage any disruption to operations. Ensure staff are kept healthy and safe and the Group complies with all guidance issued by the Government at the time. Office staff work from home where possible and the necessary technology and equipment are in place to maintain this. Liaison with all regulators to ensure that the Group remains compliant with all permits and regulatory standards.	◀▶
Financial			
10. Oil market price risk 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.	Finance Director – Frances Ward	The Group has hedged a total of 369,600 barrels over the year to 31 December 2021, at an average floor price of $43.9/bbl through a mixture of swaps and collars. The Board seeks to underpin the Group's future cash flows by entering into a combination of swaps and collars for baseline production to cover 12 months forward. The Board will continue to monitor the benefits of such hedging.	◀▶
11. Gas and electricity market price risk Exposure to market price risk through variations in the wholesale price of gas and electricity in the context of its future unconventional production volumes.	Finance Director – Frances Ward	The Board monitors the benefit of entering into contracts at the appropriate time to protect against gas and electricity price volatility.	◀▶
12. Exchange rate risk Exposure to exchange rate risk through both its major source of revenue and its major borrowings being priced in $.	Finance Director – Frances Ward	The Board monitors the cash flows of the Group to ensure currency exposure is understood. Exchange rate hedges are considered to ensure that cash inflows in US dollars are matched with Sterling cash outflows.	◀▶
13. Liquidity risk Exposure, through its operations, to liquidity risk.	Finance Director – Frances Ward	The Board regularly reviews the Group's cash forecasts and the adequacy of available facilities to meet the Group's cash requirements.	◀▶
14. Capital risk The Group is exposed to capital risk resulting from its capital structure, including operating within the covenants of its RBL facility.	Finance Director – Frances Ward	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 24 to the consolidated financial statements.	◀▶

Sustainable and Responsible Business

Committed to responsible development

As set out last year, we have a focus on the following United Nations' Sustainable Development Goals:

COVID-19 Response

Coronavirus clearly presents a strategic workforce challenge to every organisation and IGas' first priority is keeping its people safe.

Offices were shut down to all but essential staff during March 2020 and the Company achieved a rapid rollout of software enabling large numbers of employees to continue to work from home throughout the year. Procedures were rolled out for operational employees focusing on maintaining social distancing and increased levels of hygiene.

The Company strongly believes that corporate responsibility is integral to business success. IGas is compliant with all relevant regulation and legislation whilst enhancing the working environment for its employees and minimising the environmental impact of its operations.

As we transition to a greater use of renewable energy, responsibly sourced and extracted natural resources will continue to play a key role as the UK manages the transition to net zero. The projects that retain value for all stakeholders will be those that are cost effective, deliver societal benefits, and minimise the impact of greenhouse gases into the atmosphere.

This commitment to environmental and social sustainability begins with operational excellence – taking care of our workforce and ensuring minimal direct environmental impact across our operations. Health and safety is paramount for IGas, and we work hard to deliver a strong performance in this area.

Health and Safety

IGas operates to established company and industry standards and processes which ensure provision of safe and responsible working practices across all activities. Our internal health and safety policies are aimed at:

- Ensuring healthy working conditions within an environment of complete security for employees and contractors; and
- Implementing operating standards that are legally and ethically compatible.

We ensure colleagues have access to affordable healthcare and aim to achieve top quartile industry performance on our occupational safety measures.

This is demonstrated through IGas achieving the RoSPA Presidents Award again, representing 14 years of commitment to Occupational Health and Safety.

Incidents rates year on year decreased and the Company's incident rate remains substantially below published industry statistic rates, based on number of employees and hours worked. IGas' goal continues to be to eliminate work place injuries and it is pleased to report there were zero LTIs during 2020.

As part of a concerted effort to further improve Health & Safety within the Company 'Hazard' reporting has improved significantly with over twice the number of observations reported this year as were reported during 2019.

Our Incident, Emergency and Crisis Procedure was updated into a simple, single document supported by site specific Local Emergency Action Plans for all major sites. In support of the update, a programme of emergency response exercises has commenced and we have consequently exceeded our Emergency Response Exercise KPI for 2020. The programme of Emergency Response Exercises continues into 2021 ensuring that response plans are properly understood and will work in the event of an emergency. Emergency response plans, equipment and resources are reviewed annually.

Environment

The protection of the environment is a core business objective for IGas. We are committed to working with regulators to ensure that any activity is undertaken safely and with as little impact to the environment as possible. Throughout our operations and the lifecycle of our wells, robust safety measures are in place to protect the environment.

IGas operates an ISO 14001 certified Environmental Management System and by doing so demonstrates, via external assurance, that the systems and processes which we apply to our business in the management and determination of environmental risk are robust. In August 2020, our certification for both ISO 9001 and 14001 were successfully renewed and we demonstrated many examples of continual improvement.

As part of our programme of continual improvement we continue to pursue ever more effective methods of fulfilling our environmental reporting obligations. During 2020, significant savings have been realised with efficiencies found in how we collate and subsequently report on environmental emissions.

We work with the EA and the MPA to ensure that we adhere to high standards through a series of formal and informal audits, review and general discussion with the MPAs and other key regulators.

During the year, as part of a process initiated by the EA and ongoing since 2016 to review the permitting of all onshore oil and gas sites, we continued to submit re-permitting submissions for our existing sites.

IGas recognises that water is a critical natural resource, essential to life, health and sustainable social and economic development. Water is also a key component of our operations and as such, we accept our role in the responsible and efficient use of this valuable resource. IGas is committed to identifying, monitoring and mitigating the impact on water supplies associated with our operations.

The Company seeks to ensure all waste streams are recycled and not disposed of in order to minimise the impact on the environment. We regularly audit our waste streams and work closely with our contractors to ensure the appropriate recovery and recycle options are used.

IGas accepts its responsibility to comply with applicable biodiversity protection laws and regulations in areas where we operate. We therefore endeavour not to adversely impact biodiversity and natural habitats through our presence and operations.

During 2020, the HSEQ team developed a number of Group wide environmental KPIs of which one measured our efficiency at utilising gaseous by-products. We established that rather than being flared or vented, near 60% of the gas produced across our sites is used constructively, for heating, generation of electricity or export. Projects that have recently come online, such as the Scampton North waterflood, will improve this further. The Scampton waterflood uses gas, which might have otherwise been flared, to both produce electricity and warm produced fluids separating it into crude oil and produced water. In addition, as part of the environmental re-permitting, a review of gas management on all IGas' permitted sites is well underway.

Climate Change and GHG Emissions

IGas recognises the risk that climate change poses to society and to its business.

We support the UK's transition to a low carbon economy, through the responsible development and production of domestic onshore oil and gas in alignment with the Committee on Climate Change recommendations and also through our investment in low carbon technologies such as geothermal and hydrogen.

Our approach to managing our GHG emissions involves:

- The efficient operation of our existing equipment and infrastructure, including minimising flaring and venting; and
- The installation of best available technology into all new projects to minimise their carbon intensity.

Streamlined energy and Carbon Reporting (SECR) Disclosure

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's policy on SECR, requiring disclosure of the environmental performance of the Group's assets through calculating the Group's GHG emissions. Our disclosure presents our carbon footprint across Scope 1 and 2 together with an appropriate intensity metric and total energy use.

Methodology

GHG emissions are quantified and reported according to the Greenhouse Gas Protocol. Consumption and production data has been collated and converted into CO_2 equivalent using the *UK Government 2020 Conversion Factors*[1] for Company Reporting to calculate emissions from corresponding activity data. To collect both consumption and production data, the Group has reviewed emissions data related to production, electricity purchases, fuel purchases related to mileage in group-owned vehicles as well as staff expenses related to business mileage in private vehicles.

This information has been prepared in accordance with the GHG Protocol's Guidance. Data collected relates to the most recent 12 month period where data was available. Comparative information has not been disclosed as this is the Group's first year of mandatory reporting.

The GHG sources that constitute our operational boundary for the reporting period are:

- Scope 1: Direct emissions from company-owned and controlled resources.
- Scope 2: Indirect emissions from purchased energy.

Total GHG emissions and energy use with all IGas 2020 activities:

- Scope 1 emissions: 45.55k t CO_2eq
- Scope 2 emissions: 0.18k t CO_2e
- Emissions intensity ratio: 47kg CO_2e/boe
- Energy consumption: 10,572 MWh.

IGas complies with all of its environmental permits in respect to emissions.

Energy Efficiency Action

In 2020, projects we have brought online such as the Scampton North waterflood will not only reduce direct CO_2e site emissions to air but, with the produced water being separated and injected on site, the number of vehicle movements will be reduced and therefore, so will indirect site CO_2e emissions.

The Company is continually reviewing its energy consumption and developing new technologies such as geothermal and hydrogen with the aim of delivering on-going reductions in emissions and thereby reducing its emissions intensity ratio. The Company also aims to reduce its Scope 2 emissions (the purchasing of energy) to zero by better utilising the resources it produces.

1 Where conversion factors for specific compounds are not published by the UK Government suitable values have been sourced from reputable alternative sources.

Corporate Governance Statement

Introduction to Governance

"Throughout the year the Company continued to engage with our shareholders and stakeholders on the current position of the business and its future strategy."

Dear Shareholder,
As Interim Chair of the Company, I have overall responsibility for ensuring that good corporate governance is embraced by IGas and the Group as a whole. In doing so, I work with, and consider, the views of all Board members, the Executive Committee (Excom) and the Company's advisors. The Board is fully committed to ensuring that high standards of governance, values and behaviours are consistently applied throughout the Group, helping to ensure the integrity of our business, the successful delivery of our strategy and the long-term success of the Group as a whole.

The Company continues to adopt and comply with the Quoted Companies Alliance Corporate Governance Code (QCA Code) and implement its ten principles of corporate governance.

We report our compliance with the QCA Code through pages 27 and 28 of this Annual Report and the Corporate Governance section of our website. Governance for us includes a broad number of structures, activities and controls, as well as different levels of accountability and responsibility.

Since the onset of the COVID-19 crisis the Board has adopted working from home procedures and has also sponsored the application of working practices in line with government advice throughout the Company's operations. It has increased monitoring of the potential impacts of the crisis on the Company including reviewing a range of cash flow projections incorporating downside price and other scenarios and is keeping Company strategies and potential opportunities under review.

Throughout the year the Company continued to engage with our shareholders and stakeholders on the current position of the business and its future strategy. Further information on our stakeholder engagement can be found on pages 8 to 11. Our primary means of communicating the Group's corporate governance structure is through the Annual Report and various disclosures made on our website. Nevertheless, where specific questions are raised by private individual shareholders and institutional investors, we engage directly with those shareholders, principally through the Chief Executive Officer and the Director of Corporate Affairs or, where appropriate, certain other members of our Excom, namely the Finance Director and Technical Director.

We seek to communicate our corporate culture through staff presentations and inductions. We rely on our management structure, and our internal reporting structures to assess whether these core values have been respected, and our Director of Human Resources is tasked with monitoring internal compliance on an ongoing basis.

IGas is committed to diversity, including gender diversity and we have a number of women in senior management roles. However, we fully recognise that the Board could be more gender diverse in its composition and will seek to further address gender diversity when recruiting for Board vacancies. The Board includes one Independent Non-executive Director. We recognise that this does not follow the best practice recommended by the QCA Code, which envisages that the Board has at least two Independent Non-executive Directors, and the Nomination Committee had intended to review this position in 2020 but, due to the impact of COVID-19 and the competing priorities of the Group, this review had to be delayed. The review will be undertaken as soon as reasonably practicable. Nonetheless the Board is confident that a culture of good corporate governance of the Company subsists under the current composition of the Board.

Cuth McDowell
Interim Non-executive Chairman

Corporate Governance Principles Applicable to IGas

The ten QCA Code corporate governance principles, which apply to IGas, are:

1. Establish a strategy and business model which promotes long-term value for shareholders;
2. Seek to understand and meet shareholder needs and expectations;
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success;
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation;
5. Maintain the Board as a well-functioning, balanced team led by the Chair;
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities;
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement;
8. Promote a corporate culture that is based on ethical values and behaviours;
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board; and
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Application of the QCA Code

The Company has adopted the QCA Code since 2018 on the basis that it is the corporate governance code most suited to our requirements, size, strategy, resources and stage of development, as it offers a flexible but rigorous outcome-oriented framework in which we can continue to develop our governance model to support our business. The QCA Code requires us to apply the principles set out to the left and to publish certain related disclosures in our Annual Report, on our website, or a combination of the two. We have followed the QCA Code's recommendations and have therefore provided disclosure relating to Principles 2, 3, and 9, as well as those aspects of Principles 8 and 10 recommended to be disclosed on our website, in a corporate governance statement on our website and will cover the remaining principles in this Annual Report. We depart from the recommendation of the QCA Code in respect of Principle 7 as we cover all aspects recommended to be disclosed by the QCA Code in respect of that principle, including those aspects which the QCA Code recommends be covered on our website, in this Annual Report. An index setting out where each required disclosure can be found at the end of the corporate governance statement on our website.

Strategy and Business Model – QCA Principle One

The Group's strategy and business model is described in the Strategic Report on pages 1 to 15.

Effective Risk Management – QCA Principle Four

The Group embeds risk management throughout the organisation and this is described on pages 22 and 23.

Board Balance – QCA Principle Five

See page 34 for information on those Directors who are considered to be independent, the time commitment required for Directors to conduct their role and the number of meetings of the Board, its committees and the relevant Directors' attendance record.

Board Skills – QCA Principle Six

Information on each of the Directors is provided on pages 30 and 31.

The Board, led by the Chair, has the necessary skills and knowledge to discharge their duties and responsibilities effectively, setting clear expectations and ensuring stringent measures for corporate governance standards are met, particularly in relation to executive remuneration, accountability and audit.

The Executive and Non-executive Directors' skill sets are complementary, and together provide a blend of broad commercial, operational, legal, and financial expertise. The skill set is suitably broad and sufficiently high calibre such that all decision making at Board level is robust and mindful of the fiduciary responsibilities that need to be discharged to all shareholders. In addition, the Directors are aware of the importance of keeping abreast of the industry's current activities and attend oil & gas conferences and events globally throughout the year to keep their skills, contacts and knowledge current and simultaneously engage with governments, global operators and service providers in the oil and gas industry.

During 2020, in response to the COVID-19 pandemic and uncertainty and difficult markets, the Company sought advice from external legal professional advisors in relation to implementing cost reduction measures including a redundancy programme, salary replacement scheme for the Board and senior executives and a proposed reduction in benefits across the organisation. *https://ir.q4europe.com/Solutions/IGas/3994/newsArticle.aspx?storyid=14735745.*

Details of the Company's advisers can be found on the Company's website at *http://igasplc.com/investors/shareholder-information/registrars-and-advisors.*

See the corporate governance statement on our website for further details of the internal advisory responsibilities performed by certain individuals in advising and supporting the Board.

Corporate Governance Statement continued

Board Effectiveness – QCA Principle Seven

In 2019 the Board formalised its procedures for self-evaluation and undertook a self-evaluation in respect of its effectiveness. The Board reviewed the effectiveness of its performance and assessed its strengths as well as areas for development with an agreed set of actions on agreed deadlines. As a result of the impact of COVID-19, the Board did not carry out a self-evaluation process in respect of its performance in 2020 and such a process will be undertaken when is reasonably practicable.

The Chairman has responsibility to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. It is imperative that the relationship between the Chairman and the CEO, as well as all Board members and Excom, remains collaborative, cordial and robust. The Board members work together in the best interests of the Company, while remaining comfortable to engage in rigorous and constructive debate. There is a strong flow of communication between the Directors, and in particular between the CEO and Chairman, with consideration being given to both standing agenda items and the strategic and operational needs of the business.

As a Board we consider the independence of all members and have an effective conflict of interests procedure in place. Any conflicts are declared by Directors at commencement of each Board meeting and appropriate information protocols are put in place in order to govern information flows. Comprehensive board papers are circulated in advance of meetings, giving Directors due time to review the documentation and enabling an effective meeting. Minutes are drawn up to reflect the true record of the discussions and decisions made. Resulting actions are tracked for appropriate delivery and follow up.

The Directors have a wide knowledge of the Company's business and understand their duties as Directors of a company quoted on AIM. The Directors have access to the Company's Nominated Advisor (Nomad), auditors and solicitors as and when required. The Company's Nomad provides annual boardroom training. These advisors are available to provide formal support and advice to the Board from time to time and do so in accordance with good practice. The General Counsel and Company Secretary has frequent communication with both the Chairman and CEO and is available to other members of the Board as required. The Directors are also able, at the Company's expense, to obtain advice from external advisers if required.

As noted in the Chairman's introduction on page 26 of this Annual Report, the Company is committed to diversity, including gender diversity, and we have a number of women in senior management roles. However, we fully recognise that the Board could be more diverse in its composition and will seek to further address gender diversity when recruiting for Board vacancies. It is also noted that the composition of the Board is a matter for review by the Nomination Committee as soon as reasonably practicable.

The Board is committed to ensuring effective succession planning. The Nomination Committee is responsible for reviewing Board and senior management succession planning to ensure that the Company has the appropriate level of skills and diversity. Where appropriate the Nomination Committee uses external advisors to assist with candidate identification and benchmarking. The Nomination Committee continues to ensure that there is a robust succession plan for senior management positions. The Board (in conjunction with the Nomination Committee) reviewed succession planning for the Excom and senior manager positions in 2020 and concluded that plans were in place for all key positions; this will be reviewed again in 2021. During the year, the Group Financial Controller was appointed to the role of Finance Director upon departure of the Chief Financial Officer.

The Excom and, at a more junior level, senior departmental managers address progression of employees through annual appraisals and competency reviews. Following consultation with staff working in the Production division over the summer and autumn of 2020 the Company has instigated a number of changes to working practices (hours of work and compensation structure) which will be used to help facilitate resource planning and salary/career progression through the planned implementation of a job grading structure.

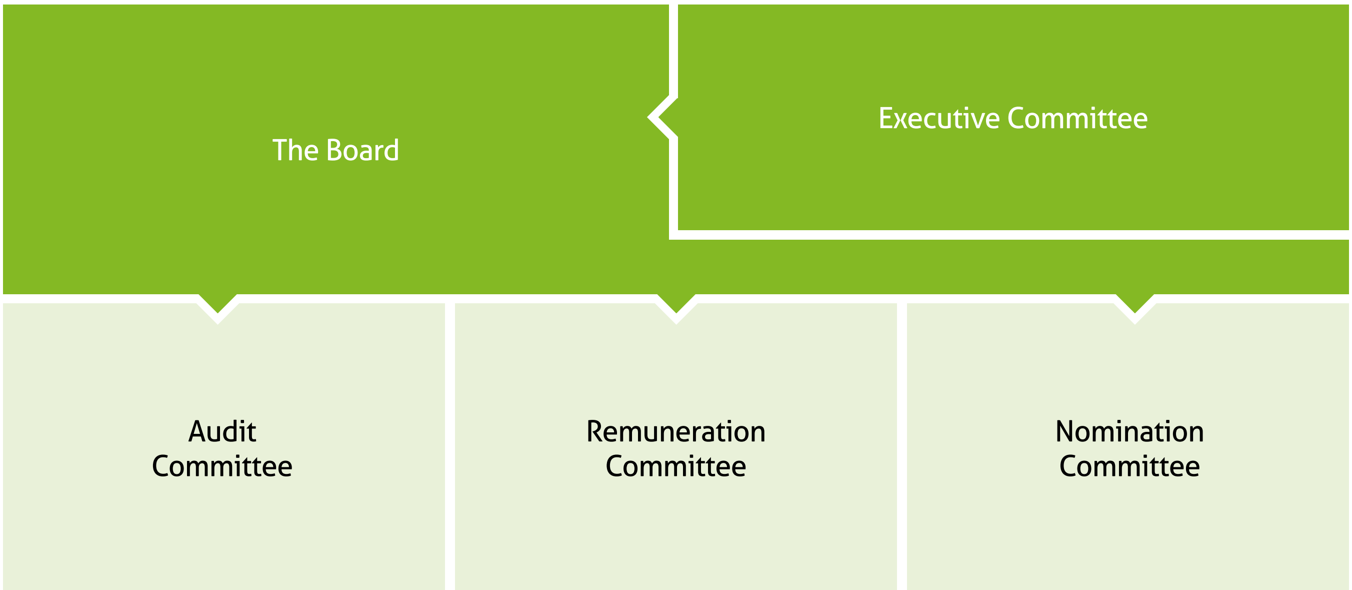
Governance and Shareholder Dialogue – QCA Principle Ten

See below for an overview of the work of the committees of the Board undertaken in 2020.

See pages 38 to 43 of this Annual Report for the Remuneration Committee Report.

This Annual Report does not include a separate audit committee report. However, pages 35 of this Annual Report outlines the key areas of focus of the Audit Committee in the year ended 31 December 2020. The Group will further assess internally as to whether it is necessary and appropriate to make further disclosures under the QCA Code, either through a report of the Audit Committee or more likely in sections of the next Annual Report.

How We Manage Our Company



The Board

+ Read more on page 30

The Board is responsible for the overall governance of the Group. Its responsibilities include reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

Executive Committee (Excom)

+ Read more on page 32

The Excom is responsible for the day-to-day running of the operational business with a focus on performance management and ensuring that the Group's key performance indicators are being met.

Audit Committee

+ Read more on pages 34 and 35

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting processes and ensuring the financial statements give a true and fair view of the Company. Whilst the Board is ultimately responsible for risk management and internal controls in the Company, the Audit Committee is responsible for ensuring that executive management takes responsibility for internal controls being appropriately designed and are both efficient and effective in practice. In addition to its natural focus on the preparation of the Company's Annual Report and Accounts, the Audit Committee monitors the integrity of the Company's broader corporate reporting, risk management systems (including the identification of future opportunities) and internal control environment, and has a continued role in determining the Company's approach to risk and the extent to which the Company is willing to take risks.

Remuneration Committee

+ Read more on page 35

The Remuneration Committee is responsible for determining and agreeing the remuneration policy for the Executive Director and senior managers.

Nomination Committee

+ Read more on page 36

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board and ensuring the balance and expertise of the Board remains appropriate to meet the needs of the Company.

Board of Directors

Stephen Bowler
Chief Executive Officer

Appointed 2015

Skills and experience
Steve became Chief Executive Officer of the Company in May 2015 having joined IGas as Chief Financial Officer in 2011. He is a qualified chartered accountant and spent 12 years in corporate finance with ABN Amro Hoare Govett, now part of Jefferies, where he acted as advisor and broker to a wide range of UK listed companies in the oil and gas sector.

Since joining the Company, Steve has led the Company through significant transition including the acquisition of Dart Energy in 2014, and the recent acquisition of GTE, as well as overseeing the farm-outs of the shale acreage to Total and INEOS.

Cuth McDowell
Interim Non-executive Chairman

Appointed 2012

Skills and experience
Cuth has 37 years of international experience in the oil and gas sector, having held a range of leadership positions in Exploration and Production companies.

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 acquired by Gulf Canada.

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

Philip Jackson
Non-executive Director

Appointed 2017

Skills and experience
Philip Jackson serves on Kerogen's Advisory Board. He is a director and chairman of the Remuneration Committee of New Age (Global Africa Energy) Limited, a board member of Ideol S.A., an offshore wind company and chairman of OneWater Group Limited. He has over 30 years' experience in investments and corporate finance in energy and infrastructure projects.

He was the founder and former chief executive of J.P. Morgan Asset Management's $860 million Asian Infrastructure and Related Resources Opportunity Fund. He started his career with the energy team at Ashurst LLP before moving to its client Trafalgar House plc, one of the UK's leading independent oil and gas companies.

Philip graduated with an MA in law from the University of Cambridge and is a solicitor of the Supreme Court in England.

Committee member key

A Audit Committee

R Remuneration Committee

N Nomination Committee

Chair

Member

Tushar Kumar
Non-executive Director

Appointed 2017

Skills and experience
Tushar Kumar is a Partner in the Investment and Portfolio Management Team at Kerogen Capital. He has 18 years' experience in investing, investment banking and equities, working with a range of energy companies across Europe, the Middle East and Asia.

He has experience in strategic advisory, particularly focused on M&A, IPOs, debt and equity financing as well as balance sheet restructuring. Prior to joining Kerogen, he was an executive director at Morgan Stanley's natural resources group in London, having previously worked with members of the Kerogen team at J.P. Morgan's energy and natural resources group in Hong Kong.

Tushar holds an MBA from the Indian Institute of Management Ahmedabad (IIMA) and a BTech in computer science and engineering from the Indian Institute of Technology (IIT). He is also a CFA charter holder.

Hans Årstad
Non-executive Director

Appointed 2019

Skills and experience
Hans is a Director in KKR's European Private Equity Team where he has been involved in a number of investments in a broad range of industries.

Hans began his career at McKinsey & Company focusing on energy. He joined KKR in 2014.

He holds a MSc in Finance and a BSc in Business Administration from Norwegian School of Economics.

Executive Committee

Stephen Bowler
Chief Executive Officer

Skills and experience
Steve became Chief Executive Officer of the Company in May 2015 having joined IGas as Chief Financial Officer in 2011. He is a qualified chartered accountant and spent 12 years in corporate finance with ABN Amro Hoare Govett, now part of Jefferies, where he acted as advisor and broker to a wide range of UK listed companies in the oil and gas sector.

Since joining the Company, Steve has led the Company through significant transition including the acquisition of Dart Energy in 2014, and the recent acquisition of GTE, as well as overseeing the farm-outs of the shale acreage to Total and INEOS.

Frances Ward
Finance Director

Skills and experience
Frances is a qualified accountant with over 15 years' senior management experience within the international oil and gas sector.

Her previous experience included 11 years at Nexen Energy (now part of CNOOC) in various senior finance roles in their London and Calgary offices.

Frances joined IGas in 2017 as Group Financial Controller and assumed overall responsibility for the finance function as Finance Director in July 2020.

Ross Pearson
Technical Director

Skills and experience
Ross Pearson, a Petroleum Engineer, has extensive onshore, oil and gas experience gained over the past 20 years working in various technical roles across the E & P value chain. Ross' career started in the Western Canadian Sedimentary Basin working for Schlumberger before taking a role with Devon Energy where he held various Petroleum Engineering positions.

In 2010, he moved to Australia where he initially worked for Origin Energy as a Sr. Petroleum Engineer prior to joining Senex Energy as the Development Manager where he managed the Appraisal and Development of their conventional and unconventional oil and gas assets.

Ross has a Bachelor of Applied Science Degree in Mining Engineering from Queen's University in Canada and is a member of the Society of Petroleum Engineers and a Fellow of the Energy Institute.

Chris Beard
Production Director

Skills and experience
Chris (MEng BSc (Hons) CEng MIET) has 32 years' experience working in the oil and gas industry in both the upstream and downstream business.

Chris started his career working in a Maintenance and Integrity role for BP at the Llandarcy Oil Refinery in South Wales. Over the next 25 years Chris worked in a number of roles and locations for BP the last of which was at BP Wytch Farm Oilfield in Dorset, where he held a variety of technical, operational and managerial roles before finishing in the role of Onshore Site Manager.

Chris joined Providence Resources Plc as Managing Director of the UK operations before its acquisition by IGas in 2011, where, he now has responsibility for the delivery of the Production Division Corporate strategy, goals and targets for production, operating costs in accordance with the IGas Management Systems.

Ross Glover
Development Director

Skills and experience
Appointed in 2017, Ross is responsible for both new business and project development. His current focus is leading the diversification of the Company into complementary sectors. Prior to joining IGas, he ran a UK based renewable energy project development company with a focus on onshore wind. Ross started his career in Southern Africa managing capital projects in the mineral processing and mining sector. After moving to the UK in 2003, he worked for one of the UK's largest public sector leasing and managed equipment services companies where he was responsible for corporate acquisitions, disposals and structured finance.

Ross holds a BSc in Mechanical Engineering from the University of Cape Town and an MBA from Warwick Business School.

Peter Foscoe
Director of Human Resources

Skills and experience
A Chartered Fellow of the Chartered Institute of Personnel & Development, Peter has over 25 years' experience managing Human Resource functions in the Financial Services, Telecoms and Oil & Gas sectors. In addition to 10 years at Merrill Lynch/Bank of America and four years as Head of Human Resources at an AIM listed hedge fund, Peter has specialised in compensation & benefits at a number of organisations, including six years as Head of Reward for the Hess Corporation global E&P business.

Thamala Perera Schuetze
General Counsel and Company Secretary

Skills and experience
Thamala is a General Counsel with 20 years' experience, over 13 years of which gained in the oil and gas industry. Prior to the reverse takeover of Star Energy Group Limited (then a wholly-owned subsidiary of PETRONAS) by the Company in 2011, Thamala was a member of the management team and the General Counsel of Star Energy responsible for the European Infrastructure Group of PETRONAS, with a primary focus on gas storage. Thamala was called to the Bar of England and Wales in 2000 and during her career has held (among others) positions at the regulator, Ofgem, where she advised on electricity, gas and LNG projects and at Freshfields Bruckhaus Deringer LLP in the telecoms sector.

Thamala holds a Master of Laws (LLM) in European Law from King's College London.

Ann-marie Wilkinson
Director of Corporate Affairs

Skills and experience
Appointed in 2013, Ann-marie is a communications and investor relations professional with over 25 years' experience in providing advice on both external and internal communications strategies.

Ann-marie has advised many energy sector companies as a financial public relations and corporate relations consultant having previously worked at M Communications, Bell Pottinger and Beattie Media. She also worked as a PRO at Smith New Court having joined from the Corporate Finance department at Touche Ross.

Padraig Hanly
Director of Geothermal

Skills and experience
Padraig (BSc) founded GT Energy UK Ltd (GTE) in 2013 and was Managing Director until its acquisition by IGas in 2020. During that time, he raised capital from investors to fund the business while working with government and industry to create a deep geothermal industry in the UK. This included the introduction of a geothermal licencing system and dedicated financial support for deep geothermal. He has worked closely with Stoke-on-Trent Council during that time helping them to secure a £20 million government grant to develop the first of its kind geothermal heated district heating project in the UK.

Padraig has worked for 20 years in business development and project management across a number of sectors including civil engineering, agriculture, property and renewable energy. Prior to setting up GTE Padraig worked as contracts manager and business development manager with Liffey Developments, an Irish based company focusing on infrastructure and property developments.

Corporate Governance

The Directors are committed to meeting high standards of corporate governance believing that the QCA Code provides the Company with the right framework to maintain a strong level of governance.

The Company has adopted a code of dealings in securities which the Board regards as appropriate for an AIM listed company and is compliant with the UK Market Abuse Regulations. The Company takes all reasonable steps to ensure compliance by the Directors, employees and agents with the provisions of the AIM Rules relating to dealings in securities.

The Board has in place Audit, Remuneration and Nomination Committees, all of which have specific mandates contained in approved terms of reference. These cover the composition, key activities and responsibilities of the relevant committee, are reviewed annually, and can be viewed on our website. All committees are committed to reporting back to the Board following a committee meeting. The membership of each of the committees is set out below.

The Board and its Committees

The Board of the Company consists of one Executive Director and four Non-executive Directors. Following Cuth McDowell's appointment as Interim Chair of the Board, Cuth McDowell is no longer fulfilling the role of Senior Independent Director, but is still considered to be an independent Non-executive Director in character and judgement and has the range of experience and calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct to the Board. Biographies of all the Directors are included within the Annual Report on pages 30 and 31.

The Board retains full and effective control over the Group. The Board meets regularly 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.

Save in August, the Board generally has one scheduled Board meeting every month over the course of the financial year with informal discussions scheduled as required. Additional meetings are held depending upon opportunities or issues to be dealt with by the Company from time to time.

The Non-executive Directors hold informal meetings during the course of the year at which members of Excom are not in attendance.

The Directors' attendance at scheduled Board meetings during 2020 is detailed in the table below:

Board Membership

Board member	Meetings attended (out of a total possible)
Cuth McDowell (Interim Chairman)	19/19
Stephen Bowler	19/19
Philip Jackson	17/19
Tushar Kumar	19/19
Hans Årstad	18/19

In addition to the Directors, the General Counsel and Company Secretary has been invited to attend each meeting of the Board. The Board invites other members of Excom to attend its meetings as necessary and appropriate to the agenda to be discussed at the relevant Board meeting.

The Board has the following 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 its other member, Tushar Kumar. Meetings are aligned with the Group's financial reporting calendar and, in the year ended 31 December 2020, the committee met on three occasions. The Chief Financial Officer and Group Financial Controller (who latterly became the Finance Director) are invited to attend each meeting of the committee and participated in all of the meetings during the year. The external auditors are also invited to attend meetings of the committee as appropriate and also meet the committee without the presence of management at least annually.

The Directors' attendance at scheduled committee meetings during 2020 is detailed in the table below:

Audit Committee Membership

Committee member	Meetings attended (out of a total possible)
Cuth McDowell (Chairman)	3/3
Tushar Kumar	3/3

Summary of the Committee's Responsibilities

The committee's responsibilities include the following:

- The committee reviews reports from management and the Group's auditors relating to the Group's Annual Report and Accounts and the interim results announcements. The committee advises the Board on whether the Annual Report and interim announcement are fair, balanced and understandable and provide the information necessary for IGas' stakeholders to assess performance against the Group's strategy;
- The committee reviews 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; and
- 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 is responsible for making recommendations to the Board on their appointment and remuneration.

Key Areas of Focus in the Year Ended 31 December 2020

The committee's particular areas of focus during the year were as follows:

- Review of the 2019 Annual Report and of the significant risks identified which included the going concern assessment, including covenant compliance; impairment of oil and gas properties; accounting for lease arrangements, the decommissioning provision and reserves and resources disclosures;
- Review of the revised terms of reference of the Audit Committee reflecting the 'Audit Committee Guide' published by the Quoted Companies Alliance in 2019;
- Review of the six months ended 30 June 2020 interim results announcement and of the significant risks which included the going concern assessment, including covenant compliance and impairment of oil and gas properties; and
- Review of the planning for the 2020 Annual Report and approving the approach being taken by the Group's auditors.

Remuneration Committee

The committee comprises only Non-executive Directors, being chaired by Philip Jackson and having as its other member Cuth McDowell. The committee met on three occasions in the year ended 31 December 2020. From time to time the CEO and the Director of Human Resources may be invited to attend meetings. In accordance with the committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

The Directors' attendance at scheduled committee meetings during 2020 is detailed in the table below:

Remuneration Committee Membership

Committee member	Meetings attended (out of a total possible)
Philip Jackson (Chairman)	3/3
Cuth McDowell	3/3

Corporate Governance
continued

Summary of the Committee's Responsibilities
The committee's responsibilities include the following:

- Making recommendations to the Board on the Company's policy on the remuneration of the Chairman, Executive Director and other senior executives (as are delegated to the committee to consider);
- Determining, within agreed terms of reference, the remainder of the remuneration packages for each of them, including pension rights, any compensation payments and the implementation of executive incentive schemes;
- Monitoring the level and structure of remuneration for senior management;
- Reviewing the design of share incentive plans for approval by the Board and determining the policy on annual awards to the Executive Director and senior executives; and
- Reviewing progress made against performance targets and agreeing incentive awards.

Key Areas of Focus in the Year Ended 31 December 2020
The committee's particular areas of focus during the year were as follows:

- Review of bonus structure for the Executive Director and senior employees and agreement of the level of deferral of the bonus payment into Company shares;
- Review of long-term incentive plans and approving the issue of awards under the executive incentive plan;
- Review of performance against the Group's key performance indicators in the year ended 31 December 2019 and recommending to the Board that a pay-out factor of 50% be applied to all employees of the Group. Staff bonuses were paid in February 2020;
- Recommendations relating to the change in group insurance plans, including the withdrawal of the 'death in service' spousal pension benefit, the introduction of obligatory employee pension contributions and a commensurate reduction (1.5%) in Company pension contribution; and
- The operation of a salary replacement scheme during the second half of the year, under which the Chairman, CEO and other senior executives waived a portion of their salary in favour of an award of share options as part of a cash-preservation programme.

Nomination Committee
The Nomination Committee is chaired by the Interim Chairman, Cuth McDowell, and its other member is Non-executive Director, Philip Jackson. The CEO 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. The committee meets as required during the year but at least to consider any Director's resignation.

The Directors' attendance at scheduled committee meetings during 2020 is detailed in the table below:

Nomination Committee Membership

Committee member	Meetings attended (out of a total possible)
Cuth McDowell (Chairman from 10 October 2019)	1/1
Philip Jackson	1/1

Summary of the Committee's Responsibilities
The committee's responsibilities include the following:

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

Key Areas of Focus in the Year Ended 31 December 2020
The principal activities of the committee during the year were as follows:

- To monitor the composition of the Board and consider it appropriate during 2020; and
- Continuing to ensure that appropriate succession plans are in place for Excom and senior management.

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 the following:

- 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;
- There is a comprehensive budgeting and planning system for all items of expenditure with an annual budget approved by the Board. Risk assessment and evaluation is an integral part of the annual planning cycle;
- The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated 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; and
- The Audit Committee reviews draft annual and interim reports before recommending their publication to the Board. The Audit Committee discusses with the Finance Director 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.

Anti-bribery and Corruption/Ethical Conduct

The Directors take the issue of bribery and corruption seriously. The Directors acknowledge the importance of ensuring that the Company, its employees and those third parties with which the business engages are operating within the requirements of the Bribery Act. The Company has a zero-tolerance approach to bribery and corruption and has adopted an anti-bribery policy to protect the Group, its employees and those third parties with which the Company engages. IGas has reviewed the policies and procedures to ensure compliance with the UK Bribery Act, Modern Slavery Act and Criminal Finances Act. The Company continues actively to promote good practice and compliance throughout the Group and has continued its rolling online programme of anti-bribery and corruption and anti-facilitation of tax evasion, as well as anti-slavery and human trafficking training for all relevant employees.

The Group's Modern Slavery Statement can be accessed here: *http://igasplc.com/media/40884/modern-slavery-statement.pdf*.

Relations with Shareholders

Communications with shareholders are considered important by the Directors. The primary contact with shareholders, investors and analysts is the CEO. Other senior management, 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 and in accordance with AIM regulations.

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

See also the Company's disclosure in relation to Principle Ten in the corporate governance statement on the Company's website.

Engaging with Stakeholders

The way in which IGas solicits information from its stakeholder groups include, inter alia, public relations activities, regular formal contact via written communications, meetings, and conference calls. Informal contact is promoted through the use of social media where appropriate.

The Board seeks to understand the Company's stakeholders' needs, interests and expectations by ensuring open channels of communication at all times and permitting all parties to openly discuss any issues or concerns they may have with the Company.

The Company considers and acts on the information and feedback received by way of bilateral discussions or investor conference calls or RNS announcements when required.

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.

Annual Statement

Following a detailed review with the 'Reward and Employment' team at PricewaterhouseCoopers LLP (PwC), which was undertaken in 2017, the Remuneration Committee proposed a number of changes to the annual cash bonus scheme, which it believes better aligned the bonuses of the CEO and senior executives to the Company's Key Performance Indicators (KPIs) and which, in the event of superior performance in any bonus period, introduce an element of staff retention through the use of stock awards with the Board agreeing that 50% of any bonus in excess of £30,000 be paid in the form of restricted stock and subject to a minimum holding period. Consequently, the Executive Director received his 2017, 2018, 2019 and 2020 bonus in cash and restricted stock.

Subsequent to the 2017 review with the 'Reward and Employment' team at PwC, the Board again agreed the Remuneration Committee Proposal that awards of restricted stock under the Executive Incentive Plan (EIP), the mechanics of which were detailed in the 2016 Annual Report, would again require an absolute share price appreciation as a condition of vesting (either in part or in full). In approving the Remuneration Committee's recommendations, the Board stipulated that no part of the 2020 EIP awards (whether to the Executive Director or any other senior executive) will vest unless a minimum share price hurdle of an 8% increase in the share price (compounded over the three year period between the date of award and date of vesting) is met or exceeded. In order for 100% of the award to vest, the share price must appreciate by 20% each year over the three year period.

The Remuneration Committee believes that the current rules regarding bonus and EIP awards, based on the 2017 review, still remain appropriate.

Directors' Remuneration Policy

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 Director 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 so that the total remuneration package is structured to align a significant proportion to the achievement of performance targets, reinforcing a clear link between pay and performance. The performance targets for staff, senior executives and the Executive Director are each aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between staff, senior executives, the Executive Director and shareholders.

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

The elements of the reward package are detailed below:

Element of reward	Operation and performance conditions	Maximum opportunity
Base salary The purpose of the base salary is to: • help recruit and retain key individuals; • reflect the individual's skills, knowledge and abilities; and • ensure fair reward for "doing the job".	The committee reviews base salaries annually to ensure that Executive Director pay remains competitively aligned with external market practices. 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.	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 industry sector).
Other benefits including pension	The Company provides Executive Directors with a pension contribution up to 12.5% of base salary, as well as other benefits in kind including medical insurances and income protection/lump sum payments in the event of extended sickness absence/disability and/or death in service.	
Annual Cash Bonus	Executive Directors and staff are eligible to participate in a discretionary bonus plan. The committee will determine on an annual basis the level of deferral, if any, of the bonus payment into Company shares (currently 50% of any award in excess of £30,000). Maximum bonus levels and the proportion payable for target performance are considered in the light of market bonus levels for similar roles among the industry sector. Bonuses paid in cash (and where applicable, shares) are not pensionable. In terms of bonus targets a balanced scorecard approach is operated which focuses on a mixture of strategic, operational, financial and non-financial metrics.	The percentage of maximum bonus entitlement received is based on the achievement of individually challenging targets supporting corporate objectives. The maximum potential bonus entitlement for Executive Directors under the plan is up to 100% of base salary.
Long Term Incentive Plan (LTIP)	Under LTIP, 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 at the end of a three year vesting period, then the participant has a further 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 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 Director and other selected executives.	The maximum individual limit for an Initial Award is 300% of salary. The maximum individual limit for an Annual Award in any financial year is 200% of salary (this limit was increased from 150% during the 2014/2015 financial year). No awards have been made under this Plan since November 2015.

Directors' Remuneration Report
continued

<table>
<tr><th>Element of reward</th><th>Operation and performance conditions</th><th>Maximum opportunity</th></tr>
<tr><td>Executive Incentive Plan (EIP)</td><td>Under the EIP adopted by the Board in March 2016, participants were granted a share award in the form of a nil-cost option, released at the end of a three year holding period provided that the Executive remain in employment and that the Remuneration Committee are satisfied that corporate performance has been satisfactory (with reference to share price). A multiplier will also apply to this share award to ensure that management are focused on the execution of the business strategy and the creation of long-term value for shareholders. For the first share award (March 2016) the multiplier was set as follows:
<table>
<tr><th>Share price target</th><th>Multiplier</th></tr>
<tr><td>£10.00</td><td>1.50 x shares awarded</td></tr>
<tr><td>£15.00</td><td>2.00 x shares awarded</td></tr>
</table>
For the subsequent three share awards (October 2017, March 2018 and March 2019) the multiplier was set as follows:
<table>
<tr><th>Share price target</th><th>Multiplier</th></tr>
<tr><td>< £1.13</td><td>0.00 x shares awarded</td></tr>
<tr><td>£1.13 – £1.25</td><td>0.25 x shares awarded</td></tr>
<tr><td>£1.26 – £1.39</td><td>0.50 x shares awarded</td></tr>
<tr><td>£1.40 – £1.54</td><td>0.75 x shares awarded</td></tr>
<tr><td>£1.55 – £1.74</td><td>1.00 x shares awarded</td></tr>
<tr><td>£1.75 – £1.96</td><td>1.50 x shares awarded</td></tr>
<tr><td>> £1.96</td><td>2.00 x shares awarded</td></tr>
</table>
For the March 2020 award the multiplier was set as follows:
<table>
<tr><th>Share price target</th><th>Multiplier</th></tr>
<tr><td>< £0.36</td><td>0.00 x shares awarded</td></tr>
<tr><td>£0.36 – £0.39</td><td>0.25 x shares awarded</td></tr>
<tr><td>£0.40 – £0.43</td><td>0.50 x shares awarded</td></tr>
<tr><td>£0.44 – £0.48</td><td>0.75 x shares awarded</td></tr>
<tr><td>£0.49 – £0.55</td><td>1.00 x shares awarded</td></tr>
<tr><td>£0.56 – £0.62</td><td>1.50 x shares awarded</td></tr>
<tr><td>> £0.63</td><td>2.00 x shares awarded</td></tr>
</table>
Executive Directors are required to build a shareholding over a five-year period of at least 150% of salary to further support the alignment of their interests with those of shareholders.</td><td>Annual award to the current Executive Director of no more than 100% of salary subject to two times multiplier (i.e. the maximum number of shares which could vest is equal to 200% of salary).</td></tr>
<tr><td>Executive Director Retention Plan (EDRP)</td><td>Under the EDRP, participants are granted nil cost options which vest and become exercisable on the first anniversary of grant subject to the Directors' continued employment and to a one year holding period following the date of vesting.</td><td>The EDRP was adopted as an exceptional share arrangement and S Bowler was granted an award of options over 175,000 ordinary shares in July 2015.

No subsequent awards have been made under this Plan.</td></tr>
</table>

Element of reward	Operation and performance conditions	Maximum opportunity
Share Investment Plan (SIP)	In 2013, the Company adopted an HMRC approved SIP for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to subscribe for up to £150 (or 10% of salary, if less) worth of IGas ordinary shares per month. Shares are acquired on a quarterly basis and the Company automatically matches the employee contribution, acquiring matching 'Partnership' shares on a 1-to-1 basis. Subject to the Company achieving pre-defined quarterly production targets, the Company increases the Partnership share matching element for that quarter to 2-to-1. In order to receive their allocation of Company Partnership shares, employees must ordinarily remain employed by the Company for a period of three years from the date of grant of the matching award.	Employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of IGas ordinary shares per month from gross salary. The Company will match the shares purchased on a 1-to-1 basis and, subject to the Company having met pre-defined quarterly production targets, will increase the matching element for that quarter to 2-to-1.

Annual Report on Remuneration

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 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.

Share price movements during the year

The Group's share price as at 31 December 2020 was 14.05 pence per share. The highest price during the year was 49.15 pence per share and the lowest share price during the year was 7.92 pence per share.

Current arrangements in financial year (Audited)

Executive Director

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

Directors' emoluments for the year were as follows:

	Year ended 31 December 2020						Year ended 31 December 2019					
Executive Director	Salary £000	Payment in lieu of pension £000	Bonus (Cash) £000	Bonus (Shares) £000	Pensions £000	Total £000	Salary £000	Payment in lieu of pension £000	Bonus (Cash) £000	Bonus (Shares) £000	Pensions £000	Total £000
S Bowler – CEO	**373***	**39**	**–**	**–**	**7**	**419**	364	38	106	76	10	594
Total – Executive Directors	**373**	**39**	**–**	**–**	**7**	**419**	364	38	106	76	10	594

* Under the "Operations & Cost Savings Update" issued on 25 June 2020, the Company announced a salary replacement initiative comprising a 15% reduction in monthly salary, paid with a replacement awarded in the form of a nil cost option, granted monthly between July 2020 and December 2020. The value of both salary and the nil cost option is reported for 2020 Salary.

On 9 April 2020 S Bowler was made a Base Award under the 2016 EIP scheme over 1,277,685 ordinary shares in the Company.

Directors' Remuneration Report
continued

As at 31 December 2020, the outstanding long-term incentives held by the Executive Director who served during the year are set out in the table below:

Executive Director Retention Plan

	Date of grant	At 1 January 2020	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2020	Earliest vesting date	Lapse date
S Bowler	13/07/2015	175,000	–	–	–	175,000	13/07/2016	13/07/2023

2016 Executive Incentive Plan

	Date of grant	At 1 January 2020	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2020	Earliest vesting date	Lapse date
S Bowler	30/03/2016	74,076	–	–	–	74,076	30/03/2019	30/03/2026
	16/10/2017	388,889	–	–	388,889	–	Failed to Vest	16/10/2020
	21/03/2018	396,667	–	–	–	396,667	21/03/2021	21/03/2028
	28/03/2019	469,435	–	–	–	469,435	25/02/2022	25/02/2029
	09/04/2020	–	1,277,685	–	–	1,277,685	09/04/2023	09/04/2030
		1,329,067	1,277,685	–	388,889	2,217,863		

2016 Management Retention Plan (Bonus Scheme Shares)

	Date of grant	At 1 January 2020	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2020	Earliest vesting date	Lapse date
S Bowler	21/03/2018	33,431	–	–	–	33,431	17/01/2019	21/03/2026
	28/03/2019	56,036	–	–	–	56,036	25/02/2020	28/03/2027
	09/04/2020	–	161,777	–	–	161,777	22/01/2021	22/01/2028
		89,467	161,777	–	–	251,244		

2016 Management Retention Plan (Salary Replacement Shares)

	Date of grant	At 1 January 2020	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2020	Earliest vesting date	Lapse date
S Bowler	24/07/2020	–	39,641	–	–	39,641	24/07/2020	24/07/2028
	25/08/2020	–	40,310	–	–	40,310	25/08/2020	25/08/2028
	25/09/2020	–	53,938	–	–	53,938	25/09/2020	25/09/2028
	23/10/2020	–	59,083	–	–	59,083	23/10/2020	23/10/2028
	25/11/2020	–	49,011	–	–	49,011	25/11/2020	25/11/2028
	21/12/2020	–	47,675	–	–	47,675	21/12/2020	21/12/2028
		–	289,658	–	–	289,658		

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.

	Year ended 31 December 2020				Year ended 31 December 2019			
Non-executive Directors	Emoluments £000	Taxable benefits £000	Pensions £000	Total £000	Emoluments £000	Taxable benefits £000	Pensions £000	Total £000
C McDowell[1]	103*	–	–	103	69	–	–	69
P Jackson[2]	55	–	–	55	55	–	–	55
T Kumar[2]	52**	–	–	52	45	–	–	45
H Årstad[3]	–	–	–	–	–	–	–	–
Total – Non-executive Directors	210	–	–	210	169	–	–	169

1 Appointed Interim Chairman with effect from 11 October 2019.
2 Under the terms of their appointments, IGas Energy plc pays an annual Fee (Invoiced quarterly in advance) to Kerogen Capital for £55,000 in respect of P Jackson and £45,000 in respect of T Kumar.
3 Under the terms of his appointment no fee is paid to H Årstad.
* Under the "Operations & Cost Savings Update" issued on 25 June 2020, the Company announced a salary replacement initiative comprising a 15% reduction in monthly salary, paid with a replacement awarded in the form of a nil cost option, granted monthly between July 2020 and December 2020. The value of both salary received and the nil cost option awarded is reported as 2020 Emoluments.
** Under the same "Operations & Cost Savings Update" issued on 25 June 2020, the Company announced that one Non-executive Director would forego his entire Fee, paid with a replacement by the issue of shares on a quarterly basis, for the final two quarters of 2020. The value of the Fee in cash and shares is reported as 2020 Emoluments.

	Date of grant	At 1 January 2020	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2020	Earliest vesting date	Lapse date
C McDowell	24/07/2020	–	10,887	–	–	10,887	24/07/2020	24/07/2028
	25/08/2020	–	11,070	–	–	11,070	25/08/2020	25/08/2028
	25/09/2020	–	14,813	–	–	14,813	25/09/2020	25/09/2028
	23/10/2020	–	16,226	–	–	16,226	23/10/2020	23/10/2028
	25/11/2020	–	13,460	–	–	13,460	25/11/2020	25/11/2028
	21/12/2020	–	13,093	–	–	13,093	21/12/2020	21/12/2028
		–	79,549	–	–	79,549		

Philip Jackson
Chairman Remuneration Committee
7 April 2021

Directors' Report

The Directors have pleasure in presenting their report together with the Group and Parent Company financial statements for the year ended 31 December 2020. The Corporate Governance Statement set out on pages 26 to 28 of this Annual Report forms part of this report.

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 CEO's statement, and the Finance Director's financial review which are all sections within the Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend for the year (year ended 31 December 2019: £nil).

Principal Activities

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 period are set out in note 25 to the consolidated financial statements.

Directors and their interests

The Directors who served during the year were as follows:

C McDowell	Interim Non-executive Chairman
S Bowler	Chief Executive Officer
P Jackson	Non-executive
T Kumar	Non-executive
H Årstad	Non-executive

The beneficial interest of each of the Directors' and their immediate families in the ordinary share capital of the Company are shown below:

	31 December 2020 Ordinary 0.002p Shares		31 December 2019 Ordinary 0.002p Shares	
	Number	%	Number	%
C McDowell	**219,170**	**0.18**	219,170	0.18
S Bowler	**94,590**	**0.08**	74,772	0.06
P Jackson	**–**	**–**	–	–
T Kumar	**–**	**–**	–	–
H Årstad	**–**	**–**	–	–

In addition, on 27 January 2021, S Bowler subscribed to his full entitlement under the Group's share scheme and accordingly was allotted 14,595 shares.

Annual General Meeting 2021

The Annual General Meeting (the AGM) of the Company will be held at the Company's offices at Cuckoo's Corner, Holybourne, Off A31, Alton, Hampshire, GU34 4JD on 13 May 2021, commencing at 10:30 a.m. The resolutions to be proposed at the AGM are set out and fully explained in the notice of AGM available on the Company's website at: *https://www.igasplc.com/investors/publications-and-reports*.

Rotation and Re-election of Directors

In accordance with the Company's Articles of Association, Cuth McDowell and Stephen Bowler retire by rotation and they each offer themselves for re-election at the AGM on 13 May 2021.

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 Article 58 of the Company's Articles of Association as adopted on 5 June 2020 (and this remains unchanged from the position pursuant to the Company's previous articles of association, adopted on 8 August 2013). Therefore, these provisions remained in force throughout the period and remain in place at the date of this report.

Substantial Shareholders

As at 7 April 2021, the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules of the following significant holdings in the Company's ordinary share capital:

	Number of Shares	%
Kerogen General Partner II Limited	34,214,615	27.4
KOG Investments S.A.R.L.	17,923,583	14.4
Royal London AM	10,155,760	8.1
Bank of America	9,566,256	7.7
J.O. Hambro	8,041,235	6.4

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 24 to the consolidated financial statements. The Group's financial risk management objectives are also set out in note 24 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 (year ended 31 December 2019: £nil).

Status

The Company is not a close 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 this Annual Report.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the AGM on 13 May 2021 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

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

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

By order of the Board

Thamala Perera Schuetze

Thamala Perera Schuetze
General Counsel and Company Secretary
IGas Energy plc
Registered Office:
Welton Gathering Centre
Barfield Lane off Wragby Road
Sudbrooke
Lincoln, LN2 2QX

Incorporated and registered in England (company number: 04981279)
7 April 2021

Statement of Directors' Responsibilities
in Respect of the Annual Report and Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

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

On behalf of the Board,

Stephen Bowler
Chief Executive Officer
7 April 2021

Independent Auditors' Report

to the members of IGas Energy plc

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2020 (the "Annual Report"), which comprise: the Consolidated and Parent Company Balance Sheets as at 31 December 2020; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Cash Flow Statements and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1(b) to the group financial statements and note 1(b) to the company financial statements, respectively, concerning the group's and the company's ability to continue as a going concern. The ability of the group and company to operate as a going concern is dependent upon the group generating cash flows, the availability of the monies drawn under its reserve-based lending ('RBL') and on the group not breaching its RBL covenants. The RBL is redetermined on a semi-annual basis and is based on the estimate of reserves and future oil prices. The group's cash flows and the ability to meet its covenants could be impacted by a return to lower oil prices, the impact of further COVID-19 restrictions, and ability of management to implement mitigating actions which are not completely within their control. These conditions, along with the other matters explained in those notes to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- checking the mathematical accuracy of management's cash flow forecast and confirming the opening cash position.
- challenging and evaluating management's underlying cash flow projections including comparing forecast sales volumes, operating costs, capital expenditure and abandonment expenditure to recent actuals and internal forecasts and comparing forecast future oil prices and foreign exchange rates to external data.
- assessing the reasonableness of management downside case, including assessing management's ability to take mitigating actions, including delaying capital expenditure and reducing costs.
- reviewing the completeness and appropriateness of management's going concern disclosures in the financial statements.

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

Independent Auditors' Report
to the members of IGas Energy plc continued

Our audit approach
Overview

Audit scope	• We scoped in all components for the purpose of the group audit • This enabled us to obtain coverage of 100% of group's consolidated revenue and consolidated total assets.
Key audit matters	• Material uncertainty related to going concern • Consideration of the impact of COVID-19 (group and parent) • Carrying value of conventional oil & gas assets (group) • Carrying value of exploration and evaluation assets (group) • Completeness and valuation of the decommissioning provision (group) • Acquisition accounting (group and parent) • Carrying value of investment in subsidiaries (parent)
Materiality	• Overall group materiality: £1,200,000 (2019: £1,200,000) based on 0.7% of total assets. • Overall company materiality: £475,000 (2019: £1,100,000) based on 1% of net assets. • Performance materiality: £900,000 (group) and £350,000 (company).

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

Capability of the audit in detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax regulations, employment laws, and health and safety regulation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal legal counsel, including consideration of known or suspected instances of non-compliances with laws and regulations.
- Assessment of the group's whistleblowing facility and matters reported through the facility.
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates (see related key audit matters below).
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or unusual words.

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

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

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Acquisition accounting is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Consideration of the impact of COVID-19 (group and parent) As set out in the Annual Report, management has considered the impact of COVID-19 on the group, alongside the actions that have been taken in response to the pandemic. Refer to the Strategic Report. As a result of the pandemic and oil price reduction in 2020 there is a heightened level of uncertainty in respect of certain accounting estimates, such as impairment assessments. Management has also considered the potential impact of COVID-19 in undertaking their assessment of going concern.	Our procedures and conclusions in respect of impairment for the group are set out in separate key audit matters of this report. Our procedures and conclusions in respect of going concern are set out separately within the material uncertainty relating to going concern section of this report. We considered whether changes to working practices brought about by COVID-19 had an adverse impact on the effectiveness of management's business processes controls. We did not identify any significant deterioration in the control environment due to remote working. Our work did not identify any changes which had a significant impact on our audit approach other than needing to perform our work remotely. We considered the appropriateness of disclosures in the financial statements in relation to the impact of the pandemic on the relevant accounting estimates and concluded that these are appropriate.
Carrying value of conventional oil & gas assets (group) Refer to significant accounting judgements and estimates and note 12 Property, plant and equipment. Conventional oil and gas assets totalled £71.0 million after an impairment of £38.5 million in the year. These represent 98.0% of the group's total property, plant and equipment. We focused on this area due to the material nature of the balance, the judgement involved in assessing for impairment and the estimates required to calculate the value in the current economic climate.	We evaluated the cash flow forecasts and the process by which they were drawn up, compared them to the latest board approved budget and forecasts as of 31 December 2020 and verified mathematical accuracy. We have verified that the exchange rate used is comparable with the actual exchange rates as at 31 December 2020 and historical exchange rates. We agreed the forecast oil price to third party consensus forecasts. We concluded management's price forecast was reasonable. Management's production forecasts were reconciled to the independent reserves report prepared by DeGolyer and MacNaughton (D&M) in January 2021. We assessed the competence and objectivity of D&M by considering factors including professional qualifications and experience of their team. We held discussions with D&M regarding the key judgements and estimates considered during the preparation of the reserves report. Another key element of the forecast is the discount rate. We have involved valuations specialists to perform an independent calculation and consider it to be reasonable. Finally, we considered the adequacy of management's disclosure of the key judgements and sensitivities in relation to the impairment assessment in note 12. These were deemed to be in line with the requirements of IAS 36.
Carrying value of exploration and evaluation assets (group) Refer to significant accounting judgements and estimates and note 11 Intangible assets. As at 31 December 2020, in accordance with IFRS 6, management assessed the assets for impairment indicators. The carrying value of the group's exploration and evaluation assets was £43.4 million. We focused on this area due to the material nature of the balance and the estimates and judgements involved in assessing for impairment.	We have evaluated management's assessment which supports the carrying value of the exploration and evaluation assets. This included confirming that for each licence that there was an on-going work programme and that the carrying amount of the licence was likely to be recovered in full from successful development or by sale. We concur with management that assets meet these criteria, and in line with IFRS 6; and that the remaining carrying value is supportable.

Independent Auditors' Report
to the members of IGas Energy plc continued

Key audit matter	How our audit addressed the key audit matter
Completeness and valuation of the decommissioning provision (group) Refer to significant accounting judgements and estimates and note 21 Provisions. There is a provision of £61.8 million for the abandonment of fields and gathering centres. The abandonment and decommissioning are expected to take place between 1 and 37 years from the year end. We focused on this area as the determination of the decommissioning liability is inherently judgmental and includes estimates of future costs.	We have reviewed the completeness of the number of wells included in management's estimate. We have assessed management's cost per well estimate and have reviewed the results of actual decommissioning costs. We have reviewed the work performed by management's experts on estimating the cost for decommissioning and challenged them on the estimates used. We have benchmarked the risk-free rate used by management compared with industry practice. We also considered the adequacy of management's disclosures in note 21. Based on the procedures performed we concur with management that their assessment of the decommissioning provision is reasonable.
Acquisition accounting (group and parent) Refer to significant accounting judgements and estimates and note 9 Acquisitions. The maximum consideration payable to GT Energy UK Limited ('GT' or the 'Sellers') under the Share Purchase Agreement is £12.0 million which will be fully settled by issue of ordinary shares of IGas Energy plc. The company has already made an initial payment of £0.5 million to the Sellers satisfied fully in shares. The payment of the balance £11.5 million consideration is contingent upon achieving certain milestones. The assessment of the contingent consideration payable (£2.8 million) requires management to make judgements and estimates which determine the anticipated timing of when the consideration will become payable. The assets and liabilities acquired were recorded at fair value on acquisition date which included development costs of £3.2 million. We focused on this area due to the material nature of the balance, the judgements and estimates involved in computation of contingent consideration and assessing the fair value of the development costs. For these reasons, we identified this as a key audit matter.	We have reviewed the terms and conditions of the acquisition agreements relating to the contingent consideration amounts payable and checked that the calculation of the contingent consideration is in accordance with them. We have audited the contingent consideration calculations and estimates made by management to determine the fair value of the net assets as on the acquisition date. We have challenged the estimates, referring to supporting documentation and considered the sensitivity of the calculations to changes in the judgements and estimates. We have evaluated management's assessment which supports the respective carrying values and concur with management that the respective carrying values are supportable. Finally, we considered the adequacy of management's disclosure of the key judgements and sensitivities. These were deemed to be in line with the requirements of the IFRS 3.
Carrying value of investment in subsidiaries (parent) Refer to note 2 Investment in subsidiaries. The carrying value of the company's investments in subsidiaries were £186.2 million at 31 December 2020, comprising of £37.0 million of investment in subsidiaries and £149.2 million of loans to group companies. These represents 90.7% of the company's total assets. We focused on this area due to the material nature of the balance.	We have obtained management's assessment over whether the carrying value of the investments in subsidiaries is supportable. This included comparing the fair value of each entity with the carrying value of the parent company investments and verifying the mathematical accuracy of the calculations. Fair values were derived from a combination of the subsidiary net assets and the fair value of the subsidiaries' oil and gas properties based on the group impairment model. Based on the procedures performed we concur with management that, after impairment and credit loss allowance, the carrying value is supportable.

How we tailored the audit scope

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

The group is structured along two segments being conventional and unconventional licences. For the purposes of financial reporting, the group considers two components - the parent company financial statements and the group financial statements. These components comprise the group's centralised functions and operating businesses within these segments. All of the group's operating business and 100% of the total assets and 99% of the total liabilities are located in the UK. All the group entities have central management and centralised processes and controls and therefore our audit work was all conducted solely in the UK.

We scoped in both reporting components for the purpose of the group audit. This gave us 100% coverage over consolidated revenue and total assets and together with additional procedures performed at the group level, gave us the evidence we needed for our opinion on the group financial statements as a whole.

Materiality

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

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

	Financial statements – group	**Financial statements – company**
Overall materiality	£1,200,000 (2019: £1,200,000).	£475,000 (2019: £1,100,000).
How we determined it	0.7% of total assets	1% of net assets
Rationale for benchmark applied	We believe that total assets are reflective of the group's current operations and has more relevance than earnings to shareholders.	We consider net assets to be one of the principal considerations for the members of the parent company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £1,200,000 to £475,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £900,000 for the group financial statements and £350,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £60,000 (group audit) (2019: £60,000) and £23,750 (company audit) (2019: £55,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report
to the members of IGas Energy plc continued

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Richard Spilsbury
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 April 2021

Consolidated Income Statement
for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Revenue	2	21,578	40,901
Cost of sales:			
Depletion, depreciation and amortisation		(5,974)	(9,058)
Other costs of sales		(17,553)	(20,542)
		(23,527)	(29,600)
Gross (loss)/profit		(1,949)	11,301
Administrative expenses		(5,331)	(4,533)
Exploration and evaluation assets written-off	11	(67)	(53,928)
Oil and gas assets impairment	12	(38,535)	–
Goodwill impairment	10	–	(4,801)
Gain/(loss) on oil price derivatives	4	3,520	(3,348)
Gain on foreign exchange contracts	4	229	265
Operating loss	3	(42,133)	(55,044)
Finance income	6	1,472	460
Finance costs	6	(3,648)	(3,861)
Loss on extinguishment of debt	20	–	(692)
Changes in fair value of contingent consideration	21	(180)	–
Other income		415	–
Loss from continuing activities before tax		(44,074)	(59,137)
Income tax credit	7	1,985	9,307
Loss after tax from continuing operations attributable to shareholders' equity		(42,089)	(49,830)
Loss after taxation from discontinued operations after tax from discontinued operations	18	(11,060)	(396)
Net loss for the year attributable to shareholders' equity		(53,149)	(50,226)
Loss attributable to equity shareholders from continuing operations:			
Basic loss per share	8	(34.35p)	(40.93p)
Diluted loss per share	8	(34.35p)	(40.93p)
Loss attributable to equity shareholders including discontinued operations:			
Basic loss per share	8	(43.37p)	(41.26p)
Diluted loss per share	8	(43.37p)	(41.26p)

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Loss for the year		(53,149)	(50,226)
Other comprehensive loss for the year:			
Currency translation adjustments recycled to the income statement	18	10,781	(63)
Currency translation adjustments		(19)	68
Total other comprehensive loss for the year		10,762	5
Total comprehensive loss for the year		(42,387)	(50,221)

The notes on pages 58 to 92 form an integral part of these financial statements.

Consolidated Balance Sheet
as at 31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000
ASSETS			
Non-current assets			
Intangible assets	11	**46,711**	41,455
Property, plant and equipment	12	**72,439**	104,532
Right-of-use assets	14	**7,658**	7,668
Restricted cash	17	**410**	410
Deferred tax asset	7	**31,945**	29,961
		159,163	184,026
Current assets			
Inventories	15	**1,023**	1,193
Trade and other receivables	16	**4,095**	5,986
Cash and cash equivalents	17	**2,438**	8,194
Derivative financial instruments	24	**314**	127
		7,870	15,500
Total assets		**167,033**	199,526
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(5,247)**	(9,288)
Derivative financial instruments	24	**(1,271)**	(266)
Lease liabilities	14	**(694)**	(988)
Provisions	21	**(293)**	–
		(7,505)	(10,542)
Non-current liabilities			
Borrowings	20	**(13,695)**	(13,071)
Other payables	19	**(1,160)**	(1,529)
Lease liabilities	14	**(6,820)**	(6,173)
Provisions	21	**(64,550)**	(55,101)
		(86,225)	(75,874)
Total liabilities		**(93,730)**	(86,416)
Net assets		**73,303**	113,110
EQUITY			
Capital and reserves			
Called up share capital	25	**30,333**	30,333
Share premium account	25	**102,906**	102,680
Foreign currency translation reserve		**3,473**	(7,289)
Other reserves	26	**35,117**	32,781
Accumulated deficit		**(98,526)**	(45,395)
Total equity		**73,303**	113,110

These financial statements were approved and authorised for issue by the Board on 7 April 2021 and are signed on its behalf by:

Stephen Bowler
Chief Executive Officer

Frances Ward
Finance Director

The notes on pages 58 to 92 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Called up share capital (note 25) £000	Share premium account (note 25) £000	Foreign currency translation reserve* £000	Other reserves** (note 26) £000	Accumulated surplus/ (deficit) £000	Total equity £000
At 1 January 2019	30,333	102,501	(7,294)	31,310	4,831	161,681
Loss for the year	–	–	–	–	(50,226)	(50,226)
Share options issued under the employee share plan (note 26)	–	–	–	1,599	–	1,599
Issue of shares (note 25)	–	179	–	–	–	179
Forfeiture of options under the employee share plan (note 26)	–	–	–	(128)	–	(128)
Currency translation adjustments	–	–	5	–	–	5
At 31 December 2019	30,333	102,680	(7,289)	32,781	(45,395)	113,110
Loss for the year	**–**	**–**	**–**	**–**	**(53,149)**	**(53,149)**
Share options issued under the employee share plan (note 26)	**–**	**–**	**–**	**2,366**	**–**	**2,366**
Issue of shares (note 25)	**–**	**226**	**–**	**(30)**	**–**	**196**
Disposal of shares held in EBT (note 26)	**–**	**–**	**–**	**–**	**18**	**18**
Currency translation adjustments	**–**	**–**	**10,762**	**–**	**–**	**10,762**
At 31 December 2020	**30,333**	**102,906**	**3,473**	**35,117**	**(98,526)**	**73,303**

* The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries net assets and results, and on translation of those subsidiaries intercompany balances which form part of the net investment of the Group.

** Other reserves include: 1) EIP/MRP/LTIP/VCP/EDRP (see note 26) reserves which represent the cost of share options issued under the long term incentive plans; 2) share investment plan reserve which represents the cost of the partnership and matching shares; 3) treasury shares reserve which represents the cost of shares in IGas Energy plc purchased in the market and held by the IGas Employee Benefit Trust (EBT) to satisfy awards held under the Group incentive plans; and 4) capital contribution reserve which arose following the acquisition of IGas Exploration UK Limited.

The notes on pages 58 to 92 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Cash flows from operating activities:			
Loss from continuing activities before tax for the year		(44,074)	(59,137)
Net loss on extinguishment of debt re-financing	20	–	692
Depletion, depreciation and amortisation*	3	6,303	9,449
Abandonment costs/other provisions utilised		(1,348)	(1,760)
Share based payment charge	5	1,025	801
Exploration and evaluation assets written-off	11	67	53,928
Oil and gas assets impairment	12	38,535	–
Goodwill impairment	10	–	4,801
Unrealised loss on oil price derivatives	4	1,048	2,380
Unrealised gain on foreign exchange contracts	4	(229)	(265)
Changes in fair value of contingent consideration	21	180	–
Other income		(415)	–
Finance income	6	(1,472)	(460)
Finance costs	6	3,648	3,861
Other non-cash adjustments		(10)	(14)
Operating cash flow before working capital movements		3,258	14,276
Decrease/(increase) in trade and other receivables and other financial assets		1,514	(602)
Decrease in trade and other payables		(1,187)	(1,733)
Decrease/(increase) in inventories		170	(44)
Cash from continuing operating activities		3,755	11,897
(Increase)/decrease in discontinued operating activities		(156)	105
Taxation paid – continuing operating activities		–	–
Net cash from operating activities		3,599	12,002
Cash flows from investing activities:			
Purchase of intangible exploration and evaluation assets		(2,314)	(2,716)
Purchase of property, plant and equipment		(6,152)	(3,668)
Purchase of other development assets		(67)	–
Cash acquired on acquisition of subsidiary	9	77	–
Proceeds from disposal of assets		–	1
Other income received		4	14
Interest received		11	129
Cash used in continuing investing activities		(8,441)	(6,240)
Net cash used in investing activities		(8,441)	(6,240)
Cash flows from financing activities:			
Cash proceeds from issue of ordinary share capital	25	56	69
Proceeds from disposal of shares held in EBT net of costs	26	4	–
Drawdown on Reserve Based Lending facility	17	5,544	19,319
Repayment on Reserve Based Lending facility	17	(4,645)	(4,639)
Fees paid related to debt re-financing	17	–	(1,059)
Repayment of bonds	17	–	(21,355)
Repayment of principal portion of lease liability	14	(973)	(2,010)
Repayment of interest on lease liabilities	14	(795)	(677)
Interest paid	17	(940)	(2,021)
Net cash used in financing activities		(1,749)	(12,373)
Net decrease in cash and cash equivalents in the year		(6,591)	(6,611)
Net foreign exchange difference		835	(307)
Cash and cash equivalents at the beginning of the year		8,194	15,112
Cash and cash equivalents at the end of the year	17	2,438	8,194

* Depletion, depreciation and amortisation includes £1.3 million (2019: £1.5 million) relating to right-of-use assets (note 14).

The notes on pages 58 to 92 form an integral part of these financial statements.

Consolidated Financial Statements – Notes
for the year ended 31 December 2020

1 Accounting policies

(a) Basis of preparation of financial statements

The consolidated financial statements of IGas Energy plc and subsidiaries (the Group) have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements were approved by the Board and authorised for issue on 7 April 2021. IGas Energy plc is a public limited company (limited by shares) incorporated and registered in England, United Kingdom and listed on the Alternative Investment Market (AIM).

The Group financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period. The Group financial statements are presented in UK pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

Subsidiary undertakings exemption from audit

IGas Energy plc has guaranteed the liabilities of the subsidiaries listed below under section 479A of the Companies Act 2006 in respect of the year ended 31 December 2020.

Star Energy Group Limited – 05054503
Star Energy Limited – 03806814
Star Energy Weald Basin Limited – 06293763
IGas Energy Enterprise Limited – 05457589
Island Gas Limited – 04962079
Island Gas (Singleton) Limited – 01021095
Dart Energy (Europe) Limited – SC259898
Dart Energy (East England) Limited – 06760546
IGas Energy Production Limited – SC298739
Dart Energy (West England) Limited – 06760557
IGas Energy Development Limited – 07240286
GT Energy UK Limited – 08451346

New and amended IFRS Standards that are effective for the current year

During the year, the Group adopted the following new and amended IFRSs for the first time for their reporting period commencing 1 January 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32	Amendments to References to the Conceptual Framework in IFRS Standards

The adoption of these standards does not have a material impact on the Group in the current or future reporting periods.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IFRS 16	COVID-19-Related Rent Concessions

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

1 Accounting policies continued

(b) Going concern

The Group continues to closely monitor and manage its liquidity risks. Cash flow 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, management's best estimate of foreign exchange rates and the Group's available loan facility under the RBL. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, strengthening of sterling and reductions in forecast oil and gas production rates.

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 RBL, which is re-determined semi-annually based on various parameters (including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants. Whilst we have better financial flexibility and a reduced overall cost of debt under the RBL and have successfully completed the 2020 year-end re-determination, we have re-evaluated our priorities in the short-term to ensure we weather both any oil price weakness and other impacts of COVID-19, including potential disruption to the Group's operational activities which could impact earnings, cash flows and financial condition of the Group.

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases worldwide. Measures taken by various governments to contain the virus affected global economic activity and resulted in a significant reduction in demand for oil. The fall in oil demand led to a fall in oil prices from around $60/bbl at the start of 2020 to a low of under $20/bbl in April 2020. Although the oil price has recovered sharply since then, to close 2020 above $50/bbl and has had a strong start to 2021, there remains significant uncertainty as to how COVID-19 and its aftermath will impact economies, oil demand and therefore oil price over the near and mid-term.

Management has also considered the impact of the COVID-19 global crisis on the Group's operations. We continue to monitor the situation closely and act within Government guidelines and have a number of contingency plans in place should our operations be significantly affected by the coronavirus. Many of our sites are remotely manned and at this stage we are well equipped as a business to ensure we maintain business continuity. Our production comes from a large number of wells in a variety of locations and we have flexibility in our off-take arrangements. We continue to liaise and co-operate with all the relevant regulators.

The Group's base case cash flow forecast was run with average oil prices of $61/bbl for 2021 and $58/bbl in 2022, with a foreign exchange rate of $1.40/£1 during the period. Our modelling included the benefits of the Group's commodity hedging policy with 369,600 bbls hedged at an average minimum price of $44/bbl. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility. Given the uncertainties described above, the level of Group revenues and availability of facilities under the RBL are inherently uncertain. As such, management has also prepared a downside forecast with average oil prices at $63/bbl in the second quarter of 2021 and have then modelled in a sudden crash in price to $43/bbl in July 2021 with prices remaining at that level for a year before increasing to $45/bbl in July 2022. Our downside case also included an average reduction in production of 5% over the period and a strengthening of sterling against the US dollar with rates moving to $1.45 by October 2021 and remaining at this level for 2022. To manage the impact of the downside scenario modelled, management would take mitigating actions, including further commodity hedging, delaying capital expenditure and additional reductions in costs in order to remain within the Group's debt liquidity covenants. All such mitigating actions are within management's control. In the downside case, management would also consider additional cash generating opportunities for the Group. While management acknowledges that these may not be completely in our control, we have assumed that cash flow from some of these opportunities would be available in 2022. In this downside scenario, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants for the 12 months from the date of approval of the financial statements. However, should oil price or demand (and therefore revenue) fall below our downside scenario oil price forecast, the Group may not have sufficient funds available for 12 months from the date of approval of these financial statements.

As a result, at the date of approval of the financial statements, there continues to be a material uncertainty in respect of the potential impact of COVID-19 on the Group's operational activities and future commodity prices. These material uncertainties may cast significant doubt upon the Group's ability to continue as a going concern. Notwithstanding these material uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 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 December 2020, 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. In addition, a number of subsidiaries were dissolved/struck off or liquidated, as disclosed in note 2 of the Parent Company financial statements.

(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 in the income statement.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depend on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is re-measured to fair value at subsequent reporting dates with changes in fair value recognised in the income statement.

(e) 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 (i) below.

Where the Group enters into a farm-in 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-in agreement as they are incurred.

Where the Group enters into a farm-out agreement involving a license in the exploration and evaluation phase, the Group does not record any expenditure made by the farmee on its account. It also does not immediately recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

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.

(f) Significant accounting judgements and estimates
The preparation of the Group's consolidated financial statements in conformity with IFRSs 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 a future period. 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

(f) Significant accounting judgements and estimates continued

Estimates:

Recoverable value of intangible assets

The Group has capitalised intangible exploration and evaluation assets in accordance with IFRS 6. Significant judgement is required in considering whether it is appropriate to continue to carry these costs on the balance sheet and whether the assets have been impaired. The key areas in which management has applied judgement and estimation include the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal or plans for relinquishment, the assessment of results from wells or geological or geophysical studies, the likely impact of political factors including planning permissions and the assessment of whether the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. Details of the Group's intangible exploration and evaluation assets are disclosed in note 11 to the financial statements.

The Group assesses intangible development costs at each reporting period end to determine whether there is any impairment. The assessment requires the use of estimates and assumptions such as long-term prices, discount rates, geothermal water flow rates 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 intangible development costs. Details of the Group's capitalised development costs are disclosed in note 11 to the financial statements.

Recoverable value of property, plant and equipment

Management reviews the Group's property, plant and equipment at least annually 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 GBP to US dollar foreign exchange rates and 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 (discussed below) and future production. Details of the Group's property, plant, and equipment are disclosed in note 12 to the financial statements.

Proved and probable reserves and contingent resources

The volume of proved 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 evaluation 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. Estimates of future taxable profits are based on cash flows expected to be generated from internal estimates of projected production and costs. Details of the Group's deferred tax assets, including those not recognised due to uncertainty regarding the future utilisation, are disclosed in note 7 to the financial statements.

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 provisions are disclosed in note 21 to the financial statements.

Judgements:

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 underlying transactions, events and conditions which determines the primary economic environment.

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

1 Accounting policies continued

(f) Significant accouting judgements and estimates continued

Judgements continued:

Interest rate implicit in the lease

Since the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate is used. The Incremental Borrowing Rate (the IBR) applicable for all of the leases for the Group is between 7.5% and 8.5%. While there is no definitive guidance in IFRS 16 on how to determine an IBR we are typically observing rates built up from three components as follows:

a) Risk free rate – a treasury bond rate or an interest swap rate in the local currency for the country of the lease, which reflects the duration of the lease;
b) Credit spread specific to the lessee;
c) Asset/lease specific adjustments to reflect the nature of the collateral

The determination of whether there is an interest rate implicit in the lease, the calculation of the Group's IBR, and whether any adjustments to this rate are required, involves some judgement and is subject to change over time. At the commencement date of leases management consider whether the lease term will be the full term of the lease or whether any option to break or extend the lease is likely to be exercised. Leases are regularly reviewed and will be revalued if the term is likely to change.

(h) 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 at a point in time when the control of the goods has passed onto the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. In the case of oil, gas and electricity sales, these are recognised 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 an agent for the producer.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the income statement in the period in which the circumstances that give rise to the revision become known by management. In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the invoiced value of goods or services rendered exceed the payment, a contract asset will be recognised. If the payments exceed the invoiced value of goods or services rendered, a contract liability will be recognised.

(i) 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 at least annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (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 are not reversed in future periods.

Development costs

Acquired development costs are initially recorded at fair value on acquisition date. After initial recognition, capitalised development costs are recorded at cost less accumulated impairment losses, as applicable, and represent costs incurred for the design and development of deep geothermal heat projects.

Cost on development activities are capitalised if the project is technically and commercially feasible, the entity intends and has the technical ability and sufficient resources to complete development, future benefits are probable and if the entity can measure reliably the expenditure attributable to the intangible assets during its development. Expenditure capitalised includes direct labour, costs directly relating to the project such as geological studies and planning permits and appropriate proportion of overheads and capitalised borrowing costs. When it is no longer probable that a project will be carried out, the project's development costs deferred to that date are expensed. Other expenditure is recognised in the profit and loss account as incurred.

1 Accounting policies continued

Development costs continued

Development costs are tested for impairment at least annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each CGU or group of CGUs to which the development costs relate. Recoverable amount is the higher of fair value less costs of disposal and value-in-use. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

Non-current assets (or disposal groups) held for sale and discontinued operations

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. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, 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 to sell. A gain is recognised for any subsequent increases in fair value less costs to sell 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.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

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 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 costs, 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. Expenditure recognised as exploration and evaluation assets are transferred to property plant and equipment and classified as oil and gas assets when technical feasibility and commercial viability of extracting hydrocarbons is demonstrable; and
- 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, when there are no substantive plans for continued exploration or evaluation of an area, when the Group decides to abandon an area, or where development is likely to proceed in an area but there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale.

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

1 Accounting policies continued

(i) Non-current assets continued

Property plant and equipment – oil and gas properties

- Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses;
- The cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation 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 cost of oil and gas assets also includes an amount equal to the decommissioning cost estimate;
- Oil and gas properties are depleted either on a unit of production basis, commencing at the start of commercial production, or depreciated on a 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; and
- 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 of oil and gas properties

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. Any impairment in value is charged to the income statement.

Impairment tests 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 fair value less costs to sell using the estimated future cash flows which 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; and
- 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.

1 Accounting policies continued

(j) 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 programmes. 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 amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. Details about the Group's impairment policy and the calculation of loss allowance is provided in the impairment of financial assets accounting policy below.

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 derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and 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.

Impairment of financial assets

At the end of each reporting period, a provision is made if there is objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of loss is recognised in the income statement.

If in the subsequent period, the amount of loss decreased and the decrease is related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Expected credit loss

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of receivables.

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

1 Accounting policies continued

(k) 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.

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 periods in which they are incurred.

Derecognition

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

(l) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities

The Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index. The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right-of-use assets are subject to and reviewed regularly for impairment. Depreciation on right-of-use assets is included in depletion, depreciation and amortisation within cost of sales or in administrative expense in the consolidated income statement based on the nature of the asset.

Extension renewal and termination options

Extension, renewal and termination options are included in a number of property, land cars and other equipment leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an option to extend or renew, or not exercise a termination option. Extension and renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Amounts recognised in cash flow statement

Lease payments are split between financing cash flows and operating cash flows in the cash flow statement. Financing cash flows represent repayment of principal and interest.

1 Accounting policies continued

(m) Inventories

Inventories, consisting of crude oil, and drilling and maintenance materials, are stated at the lower of cost and net realisable value. Costs comprise costs of purchase, costs 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.

(n) Taxation

The tax charge/credit includes current 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 as it excludes items of income or expense that are taxable or deductible in different periods and 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 and the carrying amount is reviewed at each reporting date. 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 period when the asset is realised or the liability is settled, based on the tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the income statement are recognised in correlation to the underlying transaction, either in other comprehensive income or directly in equity.

(o) Share based payments

Where share options are awarded to employees including Directors, the fair value of the options at the date of the grant is recorded in equity (share plan reserves) 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 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 may be transferred to another equity reserve.

Where the terms and conditions of options 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 on the award is recognised immediately.

Where an equity settled award is identified as a replacement it will be treated as a modification to the original plan where the incremental fair value of the replacement award is expensed over the vesting period of the replacement award. The fair value of the original award on its grant date continues to be recognised over its original vesting period.

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 in the 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 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 (treasury shares reserve).

Amounts recognised in the share plan reserves and treasury share reserve are not subsequently reclassified within equity.

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

1 Accounting policies continued

(p) 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 paid/payable to the scheme in respect of the accounting period.

(q) 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.

(r) Foreign currency

The consolidated financial statements are presented in UK pound sterling, the functional currency of the Group. Transactions denominated in currencies other than 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.

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.

(s) 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.

A disposal group qualifies as a 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 co-ordinated 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 taxation from discontinued operations in the income statement. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

(t) Government grants

Government grants are recognised in the income statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate and are presented net against the related costs.

2 Revenue

The Group derives revenue solely within the United Kingdom from the transfer of goods and services to external customers which is recognised at a point in time when the performance obligation has been satisfied by the transfer of goods. The Group's major product lines are:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Oil sales	20,546	39,248
Electricity sales	438	966
Gas sales	594	687
	21,578	40,901

Revenues of approximately £11.9 million and £8.7 million were derived from the Group's two largest customers (2019: £18.8 million and £20.5 million) and are attributed to the oil sales.

As at 31 December 2020, there are no contract assets or contract liabilities outstanding (2019: nil).

3 Operating loss

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Operating loss is stated after charging:		
Staff costs (note 5)	(11,555)	(12,727)
Depletion, depreciation and amortisation*	(6,303)	(9,399)
Auditors' remuneration:		
Audit of the financial statements	(240)	(225)
Audit of the Company's subsidiaries	–	(40)
Other non-audit services	(45)	(40)

* Reconciliation of depletion, depreciation and amortisation is as follows:

Depletion, depreciation and amortisation

	Property, plant and equipment (note 12)	Right-of-use assets (note 14)	Year ended 31 December 2020 £000	Property, plant and equipment (note 12)	Right-of-use assets (note 14)	Year ended 31 December 2019 £000
Cost of sales	(4,990)	(984)	(5,974)	(7,848)	(1,210)	(9,058)
Administrative expenses	(36)	(293)	(329)	(48)	(293)	(341)
Total depreciation in operating loss	(5,026)	(1,277)	(6,303)	(7,896)	(1,503)	(9,399)
Capitalised equipment used for exploration and evaluation	–	–	–	(41)	–	(41)
Other	–	–	–	(9)	–	(9)
Total depletion, depreciation and amortisation	(5,026)	(1,277)	(6,303)	(7,946)	(1,503)	(9,449)

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

4 Derivative financial instruments
Gain/(loss) on oil price derivatives

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Realised gain/(loss) on oil price derivatives	4,568	(968)
Unrealised loss on oil price derivatives	(1,048)	(2,380)
	3,520	(3,348)

Gain on foreign exchange contracts

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Unrealised gain on foreign exchange contracts	229	265

5 Employee information

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Staff costs comprised:		
Wages and salaries	7,986	9,544
Social security costs	1,085	1,110
Other pension costs	652	745
Termination benefits	506	–
Employee share based payment cost	1,326	1,328
	11,555	12,727

	No.	No.
Average monthly number of employees including Directors in the year		
Operations, including services	108	115
Administrative	35	37
	143	152

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the audited section of the Directors' Remuneration Report which forms part of these financial statements.

A proportion of the Group's staff costs shown above is capitalised as additions to intangible assets and property, plant and equipment in accordance with the Group's accounting policies. In addition, a proportion is recharged to joint venture partners as part of our time writing rate.

In light of the uncertainty in 2020 as a result of the COVID-19 pandemic and a low oil price environment, the Group had undertaken an in-depth review of costs and implemented several cost reduction measures including a redundancy programme, salary replacement scheme for the Board and senior executives, and a reduction in benefits across the Group.

The Group received grants of £0.3 million from the UK government as part of the Coronavirus Job Retention Scheme (furlough scheme). The income is recognised in the income statement against the related wages and salaries cost. There are no unfulfilled conditions or other contingencies attaching to this grant.

6 Finance income/(costs)

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Finance income:		
Interest on short-term deposits	11	127
Foreign exchange gains	1,461	333
Finance income	1,472	460
Finance expense:		
Interest on borrowings	(940)	(1,651)
Amortisation of finance fees on borrowings	(387)	(223)
Unwinding of discount on decommissioning provision (note 21)	(1,466)	(1,310)
Unwinding of discount on contingent consideration (note 21)	(60)	–
Finance charge on lease liability for assets in use (note 14)	(795)	(677)
Finance expense	(3,648)	(3,861)

7 Income tax credit

(i) Tax credit on loss from continuing ordinary activities

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Current tax:		
Charge on loss for the year	–	–
Charge in relation to prior years	–	–
Total current tax charge	–	–
Deferred tax:		
Charge/(credit) relating to the origination or reversal of temporary differences	1,409	(3,461)
Credit due to tax rate changes	(99)	–
Credit in relation to prior years	(3,295)	(5,846)
Total deferred tax credit	(1,985)	(9,307)
Tax credit on loss on ordinary activities	(1,985)	(9,307)

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

7 Income tax credit continued

(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 40% (2019: 40%).

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

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Loss from continuing ordinary activities before tax	(44,074)	(59,137)
Expected tax credit based on loss from continuing ordinary activities multiplied by an average combined rate of corporation tax and supplementary charge in the UK of 40% (2019: 40%)	(17,630)	(23,655)
Deferred tax credit in respect of the prior year	(3,295)	(5,846)
Tax effect of expenses not allowable for tax purposes	(740)	9,850
Tax effect of differences in amounts not allowable for supplementary charge purposes*	6	(121)
Impact of profits or losses taxed or relieved at different rates	461	292
Net increase in unrecognised losses carried forward	7,781	10,197
Net increase in unrecognised temporary taxable differences	11,533	–
Tax rate change	(99)	–
Other	(2)	(24)
Tax credit on loss on ordinary activities	(1,985)	(9,307)

* Amounts not allowable for supplementary charge purposes relate to net financing costs disallowed for supplementary charge offset by investment allowance which is deductible against profits subject to supplementary charge.

(iii) Deferred tax

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

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Asset at 1 January	29,961	20,656
Tax credit relating to prior year	3,295	5,846
Tax (charge)/credit during the year	(1,409)	3,461
Tax charge arising due to the changes in tax rates	99	–
Other	(1)	(2)
Asset at 31 December	31,945	29,961

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

	31 December 2020 £000	31 December 2019 £000
Accelerated capital allowances	(7,791)	(13,993)
Tax losses carried forward	26,633	29,735
Investment allowance unutilised	1,542	1,297
Decommissioning provision	7,390	9,628
Unrealised gains or losses on derivative contracts	2,126	1,799
Share based payments	2,090	1,675
Right-of-use asset and liability	(45)	(180)
Deferred tax asset	31,945	29,961

7 Income tax credit continued

(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 based on a five-year profit forecast. Such tax losses include £130 million (2019: £94.4 million) of ring-fence corporation tax losses.

The Group has further tax losses and other similar attributes carried forward of approximately £215.4 million (2019: £234.8 million) for which no deferred tax asset is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits. The unrecognised losses may affect future tax charges should certain subsidiaries in the Group generate taxable trading profits in future periods.

8 Earnings per share (EPS)

Continuing

Basic EPS amounts are based on the loss for the year after taxation from continuing operations attributable to ordinary equity holders of the parent of £42.1 million (2019: a loss after taxation from continuing operations attributable to shareholders' equity of £49.8 million) and the weighted average number of ordinary shares outstanding during the year of 122.5 million (2019: 121.7 million).

Diluted EPS amounts are based on the loss for the year after taxation from continuing operations attributable to the ordinary equity holders of the parent and the weighted average number of 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, except where these are anti-dilutive.

As at 31 December 2020, there are £10.9 million potentially dilutive employee share options (31 December 2019: 6.3 million potentially dilutive share options) which are not included in the calculation of diluted earnings per share as their conversion to ordinary shares would have decreased the loss per share.

The following reflects the income and share data used in the basic and diluted earnings per share from continuing operations:

	Year ended 31 December 2020	Year ended 31 December 2019
Basic loss per share – ordinary shares of 0.002p each	**(34.35p)**	(40.93p)
Diluted loss per share – ordinary shares of 0.002p each	**(34.35p)**	(40.93p)
Loss for the year attributable to equity holders of the parent from continuing operations – £000	**(42,089)**	(49,830)
Weighted average number of ordinary shares in the year – basic EPS	**122,537,605**	121,729,407
Weighted average number of ordinary shares in the year – diluted EPS	**122,537,605**	121,729,407

Discontinued

The following reflects the income and share data used in the basic and diluted earnings per share including discontinued operations:

	Year ended 31 December 2020	Year ended 31 December 2019
Basic loss per share – ordinary shares of 0.002p each	**(43.37p)**	(41.26p)
Diluted loss per share – ordinary shares of 0.002p each	**(43.37p)**	(41.26p)
Loss for the year attributable to equity holders of the parent – £000	**(53,149)**	(50,226)
Weighted average number of ordinary shares in the year – basic EPS	**122,537,605**	121,729,407
Weighted average number of ordinary shares in the year – diluted EPS	**122,537,605**	121,729,407

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

9 Acquisitions

Acquisition of GT Energy UK Limited

IGas entered into a sale and purchase agreement (SPA) to acquire GT Energy UK Limited (GT Energy), a developer of deep geothermal heat projects onshore UK on 16 September 2020. GT Energy's principal project is a 14MW deep geothermal project in the Etruria Valley, Stoke-on-Trent. The project is anticipated to supply zero carbon heat to the city of Stoke-on-Trent on a long-term 'take or pay' contract (TPA) with Stoke-on-Trent City Council (SoTCC). It is anticipated that the heat will be supplied through the SoTCC owned and operated district heating network, which is undergoing installation.

Under the terms of the SPA, IGas made an initial payment of £0.5 million (the Initial Purchase Price) to the Sellers satisfied in 2,222,223 IGas ordinary shares on completion by the transfer of 1,844,637 shares held by IGas (not as treasury shares, as defined under the AIM Rules) and allotment and issue of 377,586 shares based on an agreed share price of £0.225 per share. The Initial Purchase Price was subject to an immaterial post-completion adjustment following the preparation of completion accounts, and an adjustment will be made against any additional consideration payable upon satisfaction of future milestone events (Milestone Consideration) in accordance with the SPA.

The maximum consideration payable to the Sellers under the SPA is £12.0 million and the ordinary shares of IGas which may be issued under the SPA shall not exceed twenty-nine point nine per cent (≤29.9%) of the fully diluted issued ordinary share capital of IGas. In addition to the Initial Purchase Price, the Company may be required to pay the Milestone Consideration – see below. GT Energy has entered into a term sheet with Gravis Capital Management Limited (Gravis) which provides indicative and non-binding terms, on behalf of Funds managed by Gravis, to fund a significant proportion of the c.£20 million project through a limited-recourse debt facility. Such provision of finance is conditional on, inter alia, signature of the TPA by SoTCC and GT Energy, agreement and execution of the financing documentation, the completion of Gravis' due diligence and internal Gravis and third-party approvals. GT Energy is currently engaged in advanced negotiations with SoTCC in respect of the TPA.

The Company may be required to pay Milestone Consideration upon:

(i) financial close, within five years of the date of the SPA (the First Milestone Longstop), of a funding facility in respect of GT Energy's principal project (described above) on terms reasonably acceptable to the Company (the First Milestone);
(ii) subject to completion of the First Milestone first delivery of heat to the district heat network under the TPA;
(iii) subject to completion of the First Milestone, six months following (ii);
(iv) subject to completion of the First Milestone the first anniversary of (ii); and
(v) the first of either (being the Business Development Milestone):
- GT Energy securing a further geothermal project in the UK by successfully completing certain key targets relevant thereto (as set out in the SPA), within the earlier of (a) the fifth anniversary of the date of the SPA, and (b) the second anniversary of an announcement by the UK Government of a new RHI Scheme, or in the reasonable opinion of the Company, equivalent scheme; or
- One Thousand British Pounds (£1,000) per full kW electrical generating capacity installed, capped at £1 million (for 1,000kW or more) subject to and measured on the date upon which, inter alia, validation of a planning application to allow electricity generation at the primary project location, and installation and successful commissioning of an electricity generation plant which utilises excess heat from the primary project, together with the ability to utilise such electricity to supply the Project's electricity requirements, and/or connect to a private wire or the national grid as the case may be.

The Milestone Consideration will be satisfied by the allotment of ordinary shares in IGas, as is derived by, for each Seller, dividing their proportion of the relevant Milestone Consideration by: (a) in respect of ordinary shares in IGas to be allotted in respect of the First Milestone: either (i) if the First Milestone is satisfied within thirty (30) months of the date of the SPA, the volume weighted average price of IGas' ordinary shares as derived from the AIM section of the London Stock Exchange Daily Official List (VWAP), on the one hundred and eighty (180) dealing days preceding the date of the SPA (First VWAP), or (ii) if the First Milestone is satisfied in the period falling on or after thirty (30) months from the date of the SPA and before the First Milestone Longstop, the VWAP on the thirty (30) dealing days preceding the date of the satisfaction of the First Milestone (Second VWAP); (b) in respect of ordinary shares in IGas to be allotted in respect of any other milestone (other than the Business Development Milestone), either the First VWAP or Second VWAP as was applicable, or would have been applicable to (as the case may be), to any ordinary shares in IGas to be allotted under the First Milestone; and (c) in respect of ordinary shares in IGas in respect of the Business Development Milestone, the VWAP on the ninety (90) dealing days preceding the date of satisfaction of the relevant Business Development Milestone, with, in each case, the resulting number being rounded down to the nearest whole share and subject to, inter alia, admission to trading on AIM of the relevant shares.

9 Acquisitions continued

Acquisition of GT Energy UK Limited continued

Details of the consideration (Initial Purchase Price and Milestone Consideration) and net assets acquired, are as follows:

	£000
Amount settled in cash	–
Fair value of Initial Purchase Price	500
Fair value of the Milestone Consideration	2,784
Fair value of the consideration transferred	3,284
Recognised amounts of identifiable assets and liabilities at fair value	
Property, plant and equipment	1
Intangible Assets – development costs	3,223
Trade and trade receivables	18
Cash and cash equivalents	77
Trade and other payables	(35)
Net identifiable assets and liabilities	3,284

The fair value of the consideration relating to the Initial Purchase Price (£0.5 million) is based on 2,222,223 shares issued at an agreed share price of 22.5 pence under the SPA.

The £2.8 million fair value of the Milestone Consideration (contingent consideration liability) recognised on the acquisition date has been calculated by determining the probability weighted value of the Milestone payments and the fair value of IGas shares issued to satisfy these payments. The calculation is based on an internal assessment of the probability of the milestones being achieved and of the inputs to the economic model which determines the level of the consideration for each milestone in accordance with the SPA. The probability weighted Milestone payments were discounted using a WACC of 8.3%. The resulting consideration amount was divided by the First VWAP (28.09 pence) to calculate the estimated number of shares to be issued as management have assumed that the First Milestone would be satisfied within 30 months of the date of the SPA. The estimated number of shares to be issued was then multiplied at a share price of 12.6 pence, being the IGas share price as at acquisition date (which is reflective of the estimated fair value of IGas shares), resulting in the estimated fair value of the Milestone Consideration of £2.8 million. The estimated fair value of the Milestone Consideration will be reviewed at each year end and any changes recognised in the income statement.

Acquisition related costs amounting to £0.2 million have been recognised as an expense in the consolidated income statement, as part of administrative expenses.

10 Goodwill

	2020 £000	2019 £000
At 1 January	–	4,801
Impairment	–	(4,801)
At 31 December	–	–

In 2019, £4.8 million impairment of goodwill was recognised relating to unconventional assets acquired as part of the Dart acquisition in 2014 following a moratorium on fracking announced by the UK Government in late 2019.

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

11 Intangible assets

	2020			2019		
	Exploration and evaluation assets £000	Development costs £000	Total £000	Exploration and evaluation assets £000	Development costs £000	Total £000
At 1 January	41,455	–	41,455	89,282	–	89,282
Acquisitions (note 9)	–	3,223	3,223	–	–	–
Additions	2,090	67	2,157	3,984	–	3,984
Transfers from held for sale	–	–	–	342	–	342
Changes in decommissioning*	(57)	–	(57)	1,775	–	1,775
Amounts written-off	(67)	–	(67)	(53,928)	–	(53,928)
At 31 December	43,421	3,290	46,711	41,455	–	41,455

* The decommissioning asset decreased in line with the decommissioning liability following a review of the estimate at 31 December 2020 (note 21).

Exploration and evaluation assets
In November 2019, the UK Government announced an effective moratorium on fracking in Britain, based on analysis of one well in the North West by the Oil and Gas Authority (OGA), until new scientific evidence is provided in respect of the impacts of seismicity during the process of hydraulic fracturing. Management has been working and will continue to work closely with the relevant regulators to demonstrate that the Group can operate safely and environmentally responsibly. During the year, we also continued the re-interpretation of the well results and re-interpreted the 3D seismic data acquired in the Springs Road area in 2014.

Exploration and evaluation costs written off were £0.1 million (31 December 2019: £53.9 million). Following an impairment review in 2019, the Group impaired in full those assets outside our core area where the Group does not have plans in the near-term to continue exploration or development activities. The impairment comprised £51.8 million related to licences in the North West, primarily PEDL 145 (Doe Green), PEDL 193, PEDL 147 and PEDL 189 where the previously capitalised assets have been written off in full; and £0.8 million related to PEDL 146, EXL 288 and 56-1 in the East Midlands where relinquishment of the licences are planned in 2020/2021. The balance relates to exploration costs on a number of other licences outside our core area. Management continually review the Group's acreage positions and will seek to relinquish non-core licences or impair licences where the carrying value cannot be supported.

Further analysis by location of assets is as follows:

North West: The Group has £6.1 million (2019: £5.9 million) of capitalised exploration expenditure relating to Ellesmere Port where IGas has lodged an appeal against the decision made by Cheshire West and Chester Council's Planning and Licensing Committee to refuse planning consent for routine tests on a rock formation encountered in the Ellesmere Port-1 well. The Secretary of State has recovered the appeal and we are awaiting the outcome. As the outcome is still undetermined and the North West acreage continues to be an area of focus for the Group, it is appropriate to keep the carrying value of the asset capitalised.

East Midlands: The Group has £32.8 million (2019: £31.6 million) of capitalised exploration expenditure relating to our core area in the Gainsborough Trough which includes PEDL's 12, 139, 140, 169, 200 and 210. The Gainsborough Trough is an area with significant shale potential. Following the moratorium on fracking, we continue to work with the OGA, BEIS and No. 10 Policy Unit to demonstrate that we can develop shale in this area in a safe manner. Our discussions have focused on the new science that would be brought forward on a sector-wide and site-specific basis that would allow the moratorium to be lifted. We are doing this in conjunction with our joint venture partners and the work is ongoing at present.

Conventional assets: The Group has £4.5 million (2019: £4.0 million) of capitalised exploration expenditure on conventional assets which includes PEDL 235 and PL 240. The Group spent £0.6 million during the year progressing exploration opportunities on conventional assets.

At 31 December 2020, the Group has a combined carried gross work programme of up to $218.0 million (£160.0 million) (2019: $214.0 million (£161.0 million)) from its partner, INEOS Upstream Limited. In 2020, £0.4m (2019: £7.3 million) gross costs were carried, principally in relation to activities at and Springs Road, which have not been included in the additions to intangible exploration and evaluation assets during the year.

Development costs
Development costs relate to assets acquired as part of the GT Energy acquisition as explained in note 9. The costs relate to the design and development of deep geothermal heat projects in the United Kingdom, with the principal project being at Etruria Valley, Stoke-on-Trent.

The Group reviewed the carrying value of development costs as at 31 December 2020 and assessed it for impairment. No impairment was required for the year (2019: £nil).

12 Property, plant and equipment

	2020			2019		
	Oil and gas assets £000	Other property, plant and equipment £000	Total £000	Oil and gas assets £000	Other property, plant and equipment £000	Total £000
Cost						
At 1 January	**197,875**	**3,660**	**201,535**	154,649	2,871	157,520
Additions	**5,212**	**1**	**5,213**	5,491	10	5,501
Disposals	**(117)**	**(710)**	**(827)**	(118)	–	(118)
Changes in decommissioning*	**6,255**	**–**	**6,255**	5,908	–	5,908
Transfers from assets held for sale	**–**	**–**	**–**	31,945	779	32,724
At 31 December	**209,225**	**2,951**	**212,176**	197,875	3,660	201,535
Accumulated Depreciation and Impairment						
At 1 January	**94,940**	**2,063**	**97,003**	65,002	1,115	66,117
Charge for the year	**4,875**	**151**	**5,026**	7,688	258	7,946
Disposals	**(117)**	**(710)**	**(827)**	(117)	–	(117)
Impairment	**38,535**	**–**	**38,535**	–	–	–
Transfers from assets held for sale	**–**	**–**	**–**	22,367	690	23,057
At 31 December	**138,233**	**1,504**	**139,737**	94,940	2,063	97,003
NBV at 31 December	**70,992**	**1,447**	**72,439**	102,935	1,597	104,532

* The decommissioning asset increased in line with the decommissioning liability following a review of the estimate at 31 December 2020 (note 21).

Expenditure during the year related to the Welton and Scampton North waterflood projects and continued investment in our assets to increase or maintain production rates.

Impairment of oil and gas properties

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases worldwide. Measures taken by various governments to contain the virus affected global economic activity and resulted in a significant reduction in demand for oil and, therefore, in oil prices. The decline in oil prices in first half of 2020 and the uncertainty surrounding the pandemic triggered an impairment review of oil and gas properties as at 30 June 2020. Although the oil price improved towards the end of the year, management identified impairment triggers due to the significant uncertainty as to how COVID-19 and its aftermath would impact economies, oil demand and oil price over the near and mid-term. Therefore, management carried out a further review of oil and gas properties for impairment as at 31 December 2020, which resulted in an additional impairment of £3.9 million. The impairment review performed at 31 December 2019 did not result in any impairment.

Cash generating units (CGUs) for impairment purposes are the group of fields whereby technical, economic and/or contractual features create underlying interdependence in cash flows. The Group has identified the three main producing CGUs as: North, South, and Scotland. The impairment assessment for the North, South and Scotland was prepared on a fair value less costs of disposal basis using discounted future cash flows based on 2P reserve profiles. The future cash flows were estimated using the following key assumptions:

	31 December 2020	30 June 2020	31 December 2019
Oil Price (Brent)	**$50-$55/bbl for the years 2021-2022 and $60/bbl thereafter**	$45-55/bbl for the years 2020-2022 and $60/bbl thereafter	$60/bbl for the years 2020-2024 and $70/bbl thereafter
USD/GBP foreign exchange rate	**$1.37:£1.00 for 2021 and $1.35:£1 thereafter**	$1.32:£1.00	$1.35:£1.00
Post-tax discount rate	**8.3%**	8.3%	8.5%

Outcome of impairment reviews

The reduction in oil price in 2020 resulted in an impairment charge of £21.9 million in the North CGU, £11.9 million in the South CGU and £0.9 million in the Scotland CGU giving a total impairment charge of £34.6 million for the period to 30 June 2020. At 31 December 2020, although oil prices had improved, an additional £3.9 million impairment charge was recognised on the North CGU at 31 December 2020 primarily due to an increase in the decommissioning provision (note 21) and the weakening of the US Dollar compared to British Pound Sterling in the second half of 2020 offset by an increase in 2P reserves based on the latest Competent Persons Report (CPR). This resulted in a total impairment of £38.5 million in the year (2019: £nil).

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

12 Property, plant and equipment continued

Impairment of oil and gas properties continued

Sensitivity of changes in assumptions

As discussed above, the principal assumptions are recoverable future production and resources, estimated Brent prices and the USD/GBP foreign exchange rate. The additional impairment that would result from changes to the key assumptions are shown below for the North CGU. There is no additional impairment in any of these scenarios in the South CGU and Scotland CGU:

CGU	10% reduction in price £'million	10% reduction in production £'million	USD/GBP foreign exchange rate @ \$1.4 £'million	Discount rate @ 9.3% £'million
North	(9.6)	(9.8)	(3.2)	(2.3)

The sensitivity analysis above does not take into account any mitigating actions available to management should these changes occur.

In addition, management considered the impact of climate change on the value of the Group's conventional assets. Assessing the impact is difficult and very subjective. However, management have assumed that this might result in lower oil prices or increased costs in the medium term and have therefore calculated a sensitivity based on a reduced price of £50/bbl from 2030 onwards and a cessation of production after 2050. This would result in an additional impairment of £4.1 million for the North CGU, nil for the South CGU and nil for the Scotland CGU (2019: £7.9 million for the North CGU, £1.3 million for the South CGU and £0.1 million for the Scotland CGU).

Transfers from assets held for sale

In May 2018, the Group announced the potential sale of certain non-core assets to Onshore Petroleum Limited (OPL) subject to OGA consent. The OGA did not give their consent to the proposed transaction and the Group has not agreed an alternative transaction with OPL. Assets and liabilities which were recognised as held for sale in 2018 have therefore been re-classified back to their respective balance sheet categories during the prior year.

13 Interest in joint arrangements

As at 31 December 2020, the Group has a combined carried gross work programme of up to \$218.0 million (£160.0 million) (2019: \$214 million (£161 million)) from its farm-in partners – INEOS Upstream Limited (INEOS), (see note 11). The Group's material joint operations as at 31 December 2020 are set out below:

Licences	Partner	IGas' interest	Operator
East Midlands			
PEDL 169	Egdon	80%	IGas
EXL 288	INEOS	75%	IGas
PEDL 210	INEOS	75%	IGas
PEDL 012	INEOS	55%	IGas
PEDL 200	INEOS	55%	IGas
PEDL 278	Egdon	50%	IGas
PEDL 273	INEOS, Egdon	55%	IGas
PEDL 305	INEOS, Egdon	55%	IGas
PEDL 316	INEOS, Egdon	55%	IGas
PEDL 139	INEOS, Egdon, eCorp	32%	IGas
PEDL 140	INEOS, Egdon, eCorp	32%	IGas
North West			
PEDL 190	INEOS	50%	IGas
PEDL 145	INEOS	40%	INEOS
PEDL 147	INEOS	25%	IGas
PEDL 184	INEOS	50%	IGas
PEDL 189	INEOS	25%	IGas
PEDL 190	INEOS	50%	IGas
PEDL 193	INEOS	40%	INEOS
PEDL 293	INEOS	30%	INEOS
PEDL 295	INEOS	30%	INEOS
EXL 273	INEOS	15%	INEOS
Weald			
PL 211	UKOG	90%	IGas
PEDL 070	UKOG, Egdon, Aurora, Corfe	54%	IGas

14 Right-of-use assets and lease liabilities

(a) Amounts recognised in the balance sheet

The Group has identified lease portfolios for property, land, cars and other equipment as follows:

	31 December 2020 £000	31 December 2019 £000
Right-of-use assets		
Land	7,451	7,182
Motor vehicles and other equipment	145	156
Property	62	330
	7,658	7,668

Additions to the right-of-use assets during the 2020 financial year were £1.3 million (2019: £1.4 million) and depreciation £1.3 million (2019: £1.5 million).

	31 December 2020 £000	31 December 2019 £000
Lease liabilities		
Current	(694)	(988)
Non-current	(6,820)	(6,173)
	(7,514)	(7,161)

Sensitivity of changes in assumptions

Management performed sensitivity analysis to assess the impact of changes to the incremental borrowing rate on the Group's lease liability and right-of-use asset balances. A 3% decrease in the IBR would result in an increase in right-of-use asset of £1.5 million and lease liability by £2.0 million (2019: increase in right-of-use asset of £1.1 million and lease liability by £1.1 million).

(b) Amounts recognised in the income statement

The income statement includes the following amounts relating to leases:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Depreciation charge of right-of-use assets		
Land	889	1,025
Property	121	268
Motor vehicles and other equipment	267	210
	1,277	1,503
Other		
Interest expense (note 6)	795	677
Expense relating to leases of low-value and short-term leases (included in cost of sales and administrative expense)	258	77

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

14 Right-of-use assets and lease liabilities continued

(c) Amounts recognised in the cash flow statement

The cash flow statement includes the following amounts relating to leases:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Repayment of interest on lease liabilities	795	677
Repayment of principal portion of lease liability	973	2,010
Total cash outflow	1,768	2,687

15 Inventories

	31 December 2020 £000	31 December 2019 £000
Oil stock	439	536
Drilling and maintenance materials	584	657
	1,023	1,193

16 Trade and other receivables

	31 December 2020 £000	31 December 2019 £000
Trade debtors	2,221	3,184
Prepayments	924	1,383
Other debtors	439	800
VAT recoverable	511	619
	4,095	5,986

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally non-interest bearing and due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 24.

Due to the short-term natures of trade and other receivables, their carrying amount is considered to be the same as their fair value.

17 Cash and cash equivalents

	31 December 2020 £000	31 December 2019 £000
Cash at bank and in hand	2,438	8,194

The cash and cash equivalents do not include restricted cash.

Restricted cash

	31 December 2020 £000	31 December 2019 £000
Non-current	410	410

The restricted cash represents restoration deposits paid to Nottinghamshire County Council which serve as collateral for the restoration of drilling sites at the end of their life. The restoration deposits are subject to regulatory and other restrictions and are therefore not available for general use of the Group.

17 Cash and cash equivalents continued

Net debt reconciliation

	31 December 2020 £000	31 December 2019 £000
Cash and cash equivalents	2,438	8,194
Borrowings – including capitalised fees	(13,695)	(13,071)
Net debt	(11,257)	(4,877)
Capitalised fees	(937)	(1,272)
Net debt excluding capitalised fees	(12,194)	(6,149)

	2020			2019		
	Cash and cash equivalents £000	Borrowings £000	Total £000	Cash and cash equivalents £000	Borrowings £000	Total £000
At 1 January	8,194	(13,071)	(4,877)	15,112	(20,980)	(5,868)
Repayment of bond	–	–	–	(21,355)	21,355	–
Interest paid on borrowings	(940)	–	(940)	(2,021)	–	(2,021)
Drawdown of RBL (note 20)	5,544	(5,544)	–	19,319	(19,319)	–
Capitalised fees	–	–	–	(1,059)	1,308	249
Repayment of RBL (note 20)	(4,645)	4,645	–	(4,639)	4,639	–
Foreign exchange adjustments	(836)	610	(226)	(307)	645	338
Other cash flows	(4,879)	–	(4,879)	3,144	–	3,144
Other non-cash movements	–	(335)	(335)	–	(719)	(719)
At 31 December	2,438	(13,695)	(11,257)	8,194	(13,071)	(4,877)

18 Discontinued operations

The divestment of assets acquired as part of the Dart Acquisition, namely the Rest of the World segment, was completed in 2016. The Group still has a presence in a small number of Australian and Singaporean registered operations and continues its plans to exit all legal jurisdictions in the near future. During the year ended 31 December 2020, a number of these overseas dormant subsidiaries have been struck off or liquidated. The total loss after tax in respect of discontinued operations was £11.1 million primarily due to the recycling of the currency translation reserve on liquidation/strike off (2019: loss after tax from discontinued operations of £0.4 million, primarily relating to administration costs). Tax on discontinued operations during the year was £nil (2019: £nil).

Effect of liquidation/strike off on the financial statements:

	31 December 2020 £000
Other receivables	2
Cash and cash equivalents	(9)
Other payables	56
Net assets and liabilities disposed	49
Disposal consideration	–
Translation reserve re-classification to income statement on liquidation/strike off	(10,781)
Loss on liquidation/strike off charged to the income statement	(10,732)

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

19 Trade and other payables

	31 December 2020 £000	31 December 2019 £000
Current		
Trade creditors	**(1,351)**	(2,154)
Employment taxes	**(252)**	(292)
Other creditors and accruals	**(3,644)**	(6,842)
	(5,247)	(9,288)
Non-current		
Amounts due to a related party	**(371)**	(371)
Other creditors and accruals	**(789)**	(1,158)
	(1,160)	(1,529)

Trade creditors are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of each of the Group's financial liabilities included within trade and other payables are considered to be a reasonable approximation of their fair value.

20 Borrowings

	31 December 2020			31 December 2019		
	Current £000	Non-current £000	Total £000	Current £000	Non-current £000	Total £000
Reserve Based Lending facility (RBL) – secured	**–**	**(13,695)**	**(13,695)**	–	(13,071)	(13,071)

Reserve Based Lending facility
On 3 October 2019, the Company announced that it had signed a $40.0 million RBL facility with BMO Capital Markets (BMO). In addition to the committed $40.0 million RBL, a further $20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments. The RBL has a five-year term, an interest rate of LIBOR plus 4.0%, matures in September 2024 and is secured on the Company's assets. The RBL is subject to a semi-annual redetermination in May and November when the loan availability will be recalculated taking into account forecast commodity prices, remaining field reserves (assessed by an independent reserves auditor annually) and the latest forecast of operating and capital costs. As at 31 December 2020, the Group had successfully completed the November 2020 redetermination which confirmed an available facility limit of $31.7 million.

Under the terms of the RBL, the Group is subject to a financial covenant whereby, as at 30 June and 31 December each year, the ratio of Net Debt at the period end to Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional items (EBITDAX as defined in the RBL agreement) for the previous 12 months shall be less than or equal to 3.5:1.

A loss of £0.7 million arising from debt re-financing was recognised for the year ended 31 December 2019.

Collateral against borrowing
A Security Agreement was executed between BMO and IGas Energy plc and some of its subsidiaries, namely; Island Gas Limited, Island Gas Operations Limited, Star Energy Weald Basin Limited, Star Energy Group Limited, Star Energy Limited, Island Gas (Singleton) Limited, Dart Energy (East England) Limited, Dart Energy (West England) Limited, IGas Energy Development Limited, IGas Energy Enterprise Limited, Dart Energy (Europe) Limited and IGas Energy Production Limited.

Under the terms of this Agreement, BMO have a floating charge over all of the assets of these legal entities, other than property, assets, rights and revenue detailed in a fixed charge. The fixed charge encompasses the Real Property (freehold and/or leasehold property), the specific petroleum licences, all pipelines, plant, machinery, vehicles, fixtures, fittings, computers, office and other equipment, all related property rights, all bank accounts, shares and assigned agreements and rights including related property rights (hedging agreements, all assigned intergroup receivables and each required insurance and the insurance proceeds).

21 Provisions

	2020			2019		
	Decommissioning provisions £000	Contingent consideration £000	Total £000	Decommissioning provisions £000	Contingent consideration £000	Total £000
At 1 January	(55,101)	–	(55,101)	(37,946)	–	(37,946)
Acquisitions (note 9)	–	(2,784)	(2,784)	–	–	–
Utilisation of provision	946	–	946	1,760	–	1,760
Unwinding of discount (note 6)	(1,466)	(60)	(1,526)	(1,310)	–	(1,310)
Reassessment of decommissioning provision (note 11 and note 12)	(6,198)	–	(6,198)	(7,683)	–	(7,683)
Changes in fair value of contingent consideration	–	(180)	(180)	–	–	–
Transfer from liabilities held for sale	–	–	–	(9,922)	–	(9,922)
At 31 December	(61,819)	(3,024)	(64,843)	(55,101)	–	(55,101)

Decommissioning provision

The Group spent £0.9 million on decommissioning activities during the year (2019: 1.8 million).

Provision has been made for the discounted future cost of abandoning wells and restoring sites to a condition acceptable to the relevant authorities. This is expected to take place between 1 to 37 years from year-end (2019: 1 to 35 years). The provisions are based on the Group's internal estimate as at 31 December 2020. Assumptions are based on the current experience from decommissioning wells which management believes is a reasonable basis upon which to estimate the future liability. The estimates are reviewed regularly to take account of any material changes to the assumptions. Actual decommissioning costs will ultimately depend upon future costs for decommissioning which will reflect market conditions and regulations at that time. Furthermore, the timing of decommissioning is uncertain and is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend on factors such as future oil and gas prices, which are inherently uncertain.

A risk free rate range of 1.20% to 3.00% is used in the calculation of the provision as at 31 December 2020 (2019: Risk free rate range of 1.27% to 3.03%).

Sensitivity of changes in assumptions

Management performed sensitivity analysis to assess the impact of changes to the risk free rate on the Group's decommissioning provision balance. A 0.5% decrease in the risk free rate assumption would result in an increase in the decommissioning provision by £3.9 million.

Contingent consideration

The carrying value of contingent consideration relates to GT Energy acquisition as explained in note 9. The change in fair value is primarily related to the increase in fair value of IGas plc shares between acquisition date and year ended 31 December 2020 as the consideration is payable in shares.

Sensitivity of changes in assumptions

The principal assumptions in calculating the fair value of contingent consideration is the probability assigned to Milestone payments and the share price at valuation date. Management performed sensitivity analysis to assess the impact of changes to the key assumptions. An increase in the probability of the scenario which would result in the maximum pay out by 5% would result in an increase in the contingent consideration provision by £0.3 million. An increase in the share price at valuation date by 10% would result in an increase in the contingent consideration provision by £0.2 million.

22 Pension scheme

The Group operates a defined contribution pension scheme. Contributions made by the Group for the year ended 31 December 2020 were £0.65 million (2019: £0.75 million). Contributions amounting to £0.05 were accrued at 31 December 2020 (2019: £nil) and are included in trade and other payables.

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

23 Commitments
Capital commitments
The Group's capital commitments relate to expenditure committed but not spent on conventional and unconventional licences as follow:

	31 December 2020 £000	31 December 2019 £000
Conventional capex	(63)	(702)
Unconventional capex	(6)	(163)
Total capital commitments	(69)	(865)

24 Financial instruments and risk management
Fair values
The fair value of financial assets and liabilities and their carrying amounts, other than those with carrying amounts that are a reasonable approximation of their fair values, are as follows.

	Carrying amount		Fair value	
	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000
Amortised cost:				
Reserve Based Lending facility (RBL) – secured	(13,695)	(13,071)	(13,695)	(13,071)

Fair value hierarchy
Assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy 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.

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

Financial assets and liabilities measured at fair value

	Level	31 December 2020 £000	31 December 2019 £000
Financial assets:			
Derivative financial instruments – oil hedges	2	–	43
Derivative financial instruments – foreign exchange contracts	2	314	84
		314	127

	Level	31 December 2020 £000	31 December 2019 £000
Financial liabilities:			
Derivative financial instruments – oil hedges	2	(1,271)	(266)
Contingent consideration (note 21)	3	(3,024)	–
		(4,295)	(266)

Fair value of derivative financial instruments
Commodity price hedges
The fair values of the commodity price hedges were provided by counterparties with whom the trades have been entered into. These consist of Asian style put and call options and swaps to sell/buy oil. The hedges 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 contracts. 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.

24 Financial instruments and risk management continued

Fair value of derivative financial instruments continued

Foreign exchange contracts

The fair value of foreign exchange contracts was provided by counterparties with whom the trades have been entered into.

During the year, the Group has entered into certain collars and swaps in order to manage its exposure to commodity price risk associated with sales of oil. The outstanding oil hedge contracts as at 31 December 2020 were as follows:

				2021 Q1	2021 Q2	2021 Q3	2021 Q4	Total	Fair value at 31 December 2020
Type	Fixed Price	Contract price Buy Put	Contract Price Sell Call	Contract Amount bbls oil	Contract Amount bbls oil	Contract Amount bbls oil	Contract Amount bbls oil	Amount bbls oil	£000
US dollar Asian 3-way collar	–	40	48	15,000	15,000	15,000	15,000	60,000	(212)
US dollar Asian 3-way collar	–	44	50	–	–	15,000	15,000	30,000	(61)
US dollar Asian 3-way collar	–	45	53,15	–	–	38,400	38,400	76,800	(47)
US dollar fixed price Swap	40.05	–	–	5,400	5,400	–	–	10,800	(88)
US dollar fixed price Swap	44.35	–	–	24,000	24,000	24,000	–	72,000	(348)
US dollar fixed price Swap	44.65	–	–	15,000	15,000	15,000	15,000	60,000	(269)
US dollar fixed price Swap	46	–	–	30,000	30,000	–	–	60,000	(225)
				89,400	89,400	107,400	83,400	369,600	(1,250)
Other									(21)
								Derivative Liability	(1,271)

The above derivatives mature over the period from 1 January 2021 until 31 December 2021. A gain of £4.6 million was realised on hedges during the year to 31 December 2020 (see note 4).

The outstanding oil hedge contracts as at 31 December 2019 were as follows:

		2020 Q1	2020 Q2	2020 Q3	2020 Q4	Total	Fair value at 31 December 2019
Type	Strike Price/ Fixed and Floating Price	Contract Amount bbls oil	Contract Amount bbls oil	Contract Amount bbls oil	Contract Amount bbls oil	Contract Amount bbls oil	£000
US dollar Asian Put	52.25	–	37,500	–	–	37,500	21
US dollar Asian Put	49.05	–	–	60,000	–	60,000	42
US dollar Asian Put	52.94	120,000	–	–	–	120,000	9
US dollar Asian Put	50.37	–	75,000	–	–	75,000	33
US dollar fixed and floating price Swap	59.45	–	37,500	–	–	37,500	(112)
US dollar fixed and floating price Swap	58.60	–	–	60,000	–	60,000	(153)
US dollar fixed and floating price Swap	58.00	–	–	–	30,000	30,000	(63)
		120,000	150,000	120,000	30,000	420,000	(223)
						Derivative Asset	43
						Derivative Liability	(266)

The above derivatives mature over the period from 1 January 2020 until 30 September 2020. A loss of £1.0 million was realised on hedges during the year to 31 December 2019 (see note 4).

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

24 Financial instruments and risk management continued

Fair value of financial assets and financial liabilities
The carrying values of the financial assets and financial liabilities are considered to be materially equivalent to their fair values.

Financial risk management
The Group's principal financial liabilities comprise borrowings 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. The Group has trade and other receivables, cash and cash equivalents and restricted cash that are derived directly from its operations and restricted cash. The Group also enters into derivative transactions to manage its commodity price exposure.

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; and
- Liquidity risk.

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

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

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 prices and foreign currency exchange rates.

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 preparing the sensitivity analyses:

- The sensitivity of the relevant loss before tax item is the effect of the assumed changes in market risks. This is based on the financial assets and financial liabilities held at 31 December 2020 and 31 December 2019; and
- The impact on equity is the same as the impact on loss 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 oil and gas 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 loss 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 the balance sheet date, the assumption that crude oil price moves 10% over all future periods, with all other variables held constant. Management believe that 10% is a reasonable sensitivity based on forward forecasts of estimated oil price volatility.

	Increase/(decrease) in profit before tax and equity	
	31 December 2020 £000	31 December 2019 £000
10% increase in the price of oil	**(1,283)**	1,803
10% decrease in the price of oil	**1,232**	(1,803)

24 Financial instruments and risk management continued

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales, purchases or financing 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 approximately 5% of costs are denominated in currencies other than the functional currency of the Group, primarily US dollars. The Group borrowings are also denominated in US dollars. The Group's exposure to other currencies is not considered to be material.

The following table summarises the impact on loss before tax for changes in the pound sterling/US dollar exchange rate on the financial assets and liabilities in the balance sheet at year 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 loss 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 and equity	
	31 December 2020 £000	31 December 2019 £000
10% strengthening of the pound against the US dollar	**1,286**	841
10% weakening of the pound against the US dollar	**(1,286)**	(841)

Credit risk

The Group has a credit policy to assess and manage the credit risk of counterparties before entering contracts, including credit checks through external credit agencies, the establishment of credit limits, a requirement for security, payment terms and specific transaction approvals. The primary credit exposures of the Group are its receivables from crude oil, electricity and gas sales, amounts due from Joint Venture partners and exposure with respect to derivative contracts. These exposures are managed at the corporate level. The Group has two main customers and only trades with established counterparties who have been approved in accordance with the Group's credit policy.

At 31 December 2020, two customers (2019: two) accounted for approximately 94% (2019: 96%) of total trade receivables outstanding of £2.2 million (2019: £3.2 million).

With respect to credit risk arising from the other financial assets of the Group, which comprise cash, cash equivalents and derivative contracts, 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. At 31 December 2020, the maximum exposure was £2.8 million (2019: £8.3 million).

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 based on contractual undiscounted payments:

	On demand £000	< 1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
At 31 December 2020						
Borrowings	**–**	**–**	**–**	**(3,424)**	**(10,271)**	**(13,695)**
Lease liabilities	**–**	**(1,655)**	**(1,529)**	**(1,359)**	**(11,433)**	**(15,976)**
Trade creditors	**–**	**(1,351)**	**–**	**–**	**–**	**(1,351)**
	–	**(3,006)**	**(1,529)**	**(4,783)**	**(21,704)**	**(31,022)**
At 31 December 2019						
Borrowings	–	–	–	–	(13,071)	(13,071)
Lease liabilities	–	(1,662)	(1,349)	(1,241)	(8,661)	(12,913)
Trade creditors	–	(2,154)	–	–	–	(2,154)
	–	(3,816)	(1,349)	(1,241)	(21,732)	(28,138)

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

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

24 Financial instruments and risk management continued

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 requirements are 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 its secured Reserve Based Lending facility (see note 20).

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

The Group signed a $40.0 million RBL facility with BMO Capital Markets (BMO) on 3 October 2019. In addition to the committed $40.0 million RBL, a further $20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments (see note 20). Management believe that the RBL financing structure will be sustainable in the current oil price environment and, together with a carried work programme of up to $218 million, means that the Group is well positioned to pursue its strategy.

25 Share capital and share premium

On 3 April 2017, the shareholders approved the subdivision of each of the 303,305,534 ordinary shares of 10 pence each of the Company into one new ordinary share of 0.0001 pence each and one deferred share of 9.9999 pence each. At the Annual General Meeting of the Company on 14 June 2017, the shareholders approved a consolidation and subdivision of the Company's share capital in order to reduce the number of shares in issue to that more appropriate for the size of the Company. Following the consolidation, every 200 ordinary shares of 0.0001 pence each were consolidated into one new ordinary share of 0.02 pence each and immediately sub-divided into 10 ordinary shares of 0.002 pence. The consolidation and subdivision reduced the number of shares in issue from 2.4 billion to 121 million.

	Ordinary shares*		Deferred shares**		Share capital	Share premium
	No.	Nominal value £000	No.	Nominal value £000	Nominal value £000	Value £000
Issued and fully paid						
At 1 January 2019	122,077,269	2	303,305,534	30,331	30,333	102,501
2019 SIP share issue – partnership	107,135	–	–	–	–	69
2019 SIP share issue – matching	175,771	–	–	–	–	110
At 31 December 2019	122,360,175	2	303,305,534	30,331	30,333	102,680
2020 SIP share issue – partnership	**288,363**	**–**	**–**	**–**	**–**	**56**
2020 SIP share issue – matching	**285,362**	**–**	**–**	**–**	**–**	**56**
Shares issued in respect of salary sacrifice scheme	**1,235,168**	**–**	**–**	**–**	**–**	**–**
Shares issued for acquisitions (note 9)	**377,586**	**–**	**–**	**–**	**–**	**84**
Shares issued in lieu of Directors' fees	**250,515**	**–**	**–**	**–**	**–**	**30**
At 31 December 2020	**124,797,169**	**2**	**303,305,534**	**30,331**	**30,333**	**102,906**

* During the year, all remaining shares held in Employee Benefit Trust were disposed (2019: the number of ordinary shares includes 190,651 shares held in Employee Benefit Trust).
** Deferred shares were created on capital restructuring which completed in April 2017.

Accordingly, the Group share capital account comprised:

	£000
Share capital account	
At 1 January 2019	30,333
Shares issued during the year	–
At 31 December 2019	30,333
Shares issued during the year	**–**
At 31 December 2020	**30,333**

Share premium

The share premium account arises from the Company issuing shares for consideration in excess of their nominal value less the cost of such issues. During the year, the Company issued 2,436,995 ordinary shares at a nominal value of 0.002 pence each (2019: 282,906 ordinary shares of 0.002 pence each), resulting in an increase in share premium of £0.2 million (2019: £0.2 million). No costs in relation to the share issues were incurred during the year (2019: £nil).

26 Other reserves

Other reserves are as follows:

	Share plan reserves £000	Treasury shares reserve £000	Capital contributions £000	Merger reserve £000	Total £000
Balance at 1 January 2019	10,454	(1,413)	47	22,222	31,310
Share options issued under the employee share plan	1,607	–	–	–	1,607
Shares issued under the SIP	–	(8)	–	–	(8)
Forfeiture of options under the employee share plan	(128)	–	–	–	(128)
Balance at 31 December 2019	11,933	(1,421)	47	22,222	32,781
Share options issued under the employee share plan	**2,298**	**–**	**–**	**–**	**2,298**
Shares issued under the SIP	**–**	**38**	**–**	**–**	**38**
Balance at 31 December 2020	**14,231**	**(1,383)**	**47**	**22,222**	**35,117**

Employee share plans – Equity settled

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

	EIP Number of units	MRP Number of units	EDRP Number of units
Outstanding at 1 January 2019	3,997,761	291,191	325,000
Exercisable at 1 January 2019	3,997,761	291,191	325,000
Awarded during the year	2,033,093	157,624	–
Exercised during the year	(33,808)	(8,883)	–
Forfeited during the year	(450,256)	–	–
Outstanding at 31 December 2019	5,546,790	439,932	325,000
Exercisable at 31 December 2019	5,546,790	439,932	325,000
Awarded during the year	**5,434,470**	**2,326,743**	**–**
Exercised during the year	**–**	**(1,511,715)**	**–**
Forfeited during the year	**(1,676,177)**	**–**	**–**
Outstanding at 31 December 2020	**9,305,083**	**1,254,960**	**325,000**
Exercisable at 31 December 2020	**9,305,083**	**1,254,960**	**325,000**

Note – all options are nil cost and therefore the weighted average exercise price is nil. In addition to the share plans above, included in other reserves are also historic costs relating to Long Term Incentive Plan 2011 (2011 LTIP) and Value Creation Plan (2014 VCP).

Executive Incentive Plan (EIP)

In March 2016, the Group issued 7,548,701 options under a long term incentive plan to the Executive Director of the Company and certain other key employees of the Group which will vest, subject to meeting certain criteria, three years from grant. The options granted under the Plan take the form of a base award. The number of ordinary shares over which the options vest may be increased by a multiple of up to two times the number of ordinary shares subject to the base award, if a specified ordinary share price is met at the vesting date.

The fair value of the awards is based on the Monte Carlo valuation model. The key inputs into the model were: share price as of date of grant of £0.145, a risk free interest rate of 0.52 % and an implied share price volatility of 68.8 % (based on historical volatility). It was also assumed that no options would be forfeited and no dividends would be paid during the life of the options. This resulted in a fair value of EIP awards of £1.4 million.

On the 14 June 2017 these awards were subdivided in line with the subdivision and consideration of the Group's share capital (see note 25).

In October 2017, the Group awarded 1,756,923 Ordinary shares under a long term incentive plan to the Executive Director of the Company and other key employees of the Group. The fair value of the awards is based on the Monte Carlo valuation model. The key inputs into the model were: share price as of date of grant of £0.68, a risk free interest rate of 0.54% and an implied share price volatility 63.95%. It was also assumed that no options would be forfeited and no dividends would be paid during the life of the options. This resulted in a fair value of EIP awards of £0.978 million.

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26 Other reserves continued

Executive Incentive Plan (EIP) continued

In March 2018, the Group awarded 1,911,057 Ordinary shares under a long term incentive plan to the Executive Director of the Company and other key employees of the Group. The fair value of the awards is based on the Monte Carlo valuation model. The key inputs into the model were: share price as of date of grant of £0.76, a risk free interest rate of 0.98% and an implied share price volatility 58.3%. It was also assumed that no options would be forfeited and no dividends would be paid during the life of the options. This resulted in a fair value of EIP awards of £1.3 million.

In March 2019, the Group awarded 2,033,093 Ordinary shares under a long term incentive plan to the Executive Director of the Company and other key employees of the Group. The fair value of the awards is based on the Monte Carlo valuation model. The key inputs into the model were: share price as of date of grant of £0.78, a risk free interest rate of 0.74% and an implied share price volatility 80.9%. It was also assumed that no options would be forfeited and no dividends would be paid during the life of the options. This resulted in a fair value of EIP awards of £1.8 million.

In April 2020, the Group awarded 5,434,470 Ordinary shares under a long term incentive plan to the Executive Director of the Company and other key employees of the Group. The fair value of the awards is based on the Monte Carlo valuation model. The key inputs into the model were: share price as of date of grant of £0.29, a risk free interest rate of 0.10% and an implied share price volatility 81.0%. It was also assumed that no options would be forfeited and no dividends would be paid during the life of the options. This resulted in a fair value of EIP awards of £1.8 million.

The EIPs outstanding at 31 December 2020 had both a weighted average remaining contractual life and maximum term remaining of 8.6 years (2019: 7.9 years).

The total charge for the year was £1.87 million (2019: £1.28 million). Of this amount, £0.52 million (2019: £0.30 million) was capitalised and £1.35 million (2019: £0.97 million) was charged to the income statement.

Management Retention Plan (MRP)

In December 2015, the Group adopted a new share-based payment scheme, the MRP. Under the MRP, participants are granted nil cost options which vest and become exercisable on the first anniversary of grant subject to the Directors' continued employment and to a one year holding period following the date of vesting.

Employees were granted 7,143,610 options in the MRP in lieu of waived options granted under the 2011 Long Term Incentive Plan (LTIP) and 2016 cash bonuses. The options designated by the Group as replacement awards were accounted for as a modification of the original scheme and were valued at grant date and the options awarded in lieu of cash bonuses were measured with reference to the fair value of the services received.

The fair value of the cancelled awards was re-measured at the replacement date based on the Monte Carlo valuation model. The key inputs into the model were: replacement date share price of between £0.14 and £0.24, threshold price of between £1.351 and £1.664, a risk free interest rate of between 0.37% and 0.42% and an implied share price volatility of between 73% and 86%. It was also assumed that no dividends would be paid during the life of the options. This resulted in an incremental fair value of £0.17 million.

In March 2018, the Group awarded 76,310 Ordinary shares to the Executive Director and other key employees of the Group. The fair value of the awards is based on the fair value of the services rendered. There were also a number of share exercises during the year relating to other employees of the Company.

In March 2019, the Group awarded 157,624 Ordinary shares to the Executive Director and other key employees of the Group. The fair value of the awards is based on the fair value of the services rendered. There were also a number of share exercises during the year relating to other employees of the Company.

In March and July 2020, the Group awarded 2,326,743 Ordinary shares to the Executive Director and other key employees of the Group. The fair value of the awards is based on the fair value of the services rendered. There were also a number of share exercises during the year relating to other employees of the Company.

The MRPs outstanding at 31 December 2020 had both a weighted average remaining contractual life and maximum term remaining of 6.5 years (2019: 4.5 years).

The total charge for the year was £0.45 million (2019: £0.14 million). Of this amount, £0.08 million (2019: £0.05 million) was capitalised or recharged to joint venture partners and £0.37 million (2019: £0.09 million) was charged to the income statement.

26 Other reserves continued

Executive Director Retention Plan (EDRP)

In July 2015, the Group adopted a new share-based payment scheme, the EDRP. Under the EDRP, participants are granted nil cost options which vest and become exercisable on the first anniversary of grant subject to the Directors' continued employment and to a one year holding period following the date of vesting.

Executives were granted 6,500,000 options in the EDRP in lieu of waived options granted under the 2011 LTIP and the Value Creation Plan (VCP). The options have been designated by the Group as replacement awards at grant date and were accounted for as a modification of the original scheme.

The fair value of the cancelled awards was re-measured at the replacement date based on the Monte Carlo valuation model. The fair value of replacement awards was based on the Monte Carlo valuation model. The key inputs into the model were: replacement date share price of £0.23, threshold price of between £0.945 and £1.664, a risk free interest rate of between 0.49% and 0.60% and an implied share price volatility of between 70% and 78%. It was also assumed that no dividends would be paid during the life of the options. This resulted in an incremental fair value of £1.5 million.

The EDRPs outstanding at 31 December 2020 had both a weighted average remaining contractual life and maximum term remaining of 2.5 years (2019: 3.5 years).

The total charge for the year was £nil (2019: £nil). Of this amount, £nil (2019: £nil) was capitalised and £nil (2019: £nil) was charged to the income statement.

Other share based payments

Share Incentive Plan (SIP)

In 2013, the Group adopted an Inland Revenue approved SIP for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of IGas ordinary shares per month or £1,800 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 subject to the pre-defined quarterly production targets being met.

The total charge for the year was £0.09 million (2019: £0.10 million). Of this amount, £nil (2019: £nil) was capitalised and £0.09 million (2019: £0.10 million) was charged to the income statement.

Treasury shares reserve

The Treasury shares reserve has arisen in connection with the shares issued to the IGas Energy Employee Benefit Trust (the 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 December 2020 and year ended 31 December 2019, no shares were issued to the Trust. In addition, 5,000 ordinary shares of £0.00002 each (2019: 10,800 ordinary shares of £0.00002 each) were released from the Trust on exercise of share options by current and former employees.

During the year ended 31 December 2020, all remaining shares in the Trust have been disposed. Subsequent to the year end, the Trust was terminated on 15 January 2021.

Capital contribution

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

Merger reserve

The merger reserve arose as a result of a reverse acquisition on 31 December 2007 whereby Island Gas Limited (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.

Consolidated Financial Statements – Notes
for the year ended 31 December 2020 continued

27 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 December 2020. All related party transactions were entered into on an arm's length basis.

The Non-executive Directors, Chief Executive Officer, Chief Financial Officer (role made redundant on 31 July 2020) and the Chief Operating Officer (retired on 30 April 2019) of the Company are considered to be the only key management personnel as defined by IAS 24 – Related Party Disclosures.

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Short-term employee benefits	651	1,145
Termination benefits	376	–
Share plan	1,447	1,050
Social security costs	133	133
Fees	107	100
	2,714	2,428

Short-term employee benefits: These amounts comprise fees paid to the key management personnel 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 key management personnel's participation in SIP, MRP and EIP plans, as measured by the fair value of SIP, MRPs and EIPs granted, accounted for in accordance with IFRS 2.

28 Subsequent events
On 27 January 2021, the Group issued 338,277 Ordinary £0.00002 shares in relation to the Group's SIP scheme. The shares were issued at £0.0925 resulting in share premium of £31,291.

On 4 February 2021, the Parent Company of the Group, IGas plc, changed its registered address from 7 Down Street, London W1J 7AJ to the Welton Gathering Centre, Barfield Lane Off Wragby Road, Sudbrooke, Lincoln, England, LN2 2QX.

Parent Company Balance Sheet
as at 31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000
ASSETS			
Non-current assets			
Investments in subsidiaries	2	186,246	217,475
Property, plant and equipment	3	21	57
		186,267	217,532
Current assets			
Trade and other receivables	4	18,774	18,004
Cash and cash equivalents	5	280	4,232
		19,054	22,236
Total assets		205,321	239,768
LIABILITIES			
Current liabilities			
Trade and other payables	6	(140,705)	(141,772)
Provisions	9	(293)	–
		(140,998)	(141,772)
Non-current liabilities			
Borrowings	8	(13,695)	(13,071)
Provisions	9	(2,731)	–
		(16,426)	–
Total liabilities		(157,424)	(154,843)
Net assets		47,897	84,925
EQUITY			
Capital and reserves			
Called up share capital	11	30,333	30,333
Share premium account	11	102,906	102,680
Other reserves	12	35,117	32,781
Accumulated deficit		(120,459)	(80,869)
Total equity		47,897	84,925

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. The Company reported a loss for the year of £39.6 million (2019: a loss of £167.6 million).

These financial statements were approved and authorised for issue by the Board on 7 April 2021 and are signed on its behalf by:

Frances Ward

Stephen Bowler
Chief Executive Officer

Frances Ward
Finance Director

The notes on pages 96 to 111 form an integral part of these financial statements.

Parent Company Statement of Changes in Equity
for the year ended 31 December 2020

	Called up share capital (note 11) £000	Share premium account (note 11) £000	Capital redemption reserve £000	Other reserves (note 12) £000	Accumulated surplus/ (deficit) £000	Total equity £000
Balance at 1 January 2019	30,333	102,501	–	31,310	86,716	250,860
Loss for the year	–	–	–	–	(167,585)	(167,585)
Employee share plans (note 12)	–	–	–	1,599	–	1,599
Lapse of LTIPs under the employee share plan (note 12)	–	–	–	(128)	–	(128)
Issue of shares (note 11)	–	179	–	–	–	179
Balance at 31 December 2019	30,333	102,680	–	32,781	(80,869)	84,925
Loss for the year	**–**	**–**	**–**	**–**	**(39,608)**	**(39,608)**
Employee share plans (note 12)	**–**	**–**	**–**	**2,366**	**–**	**2,366**
Disposal of shares held in EBT (note 12)	**–**	**–**	**–**	**–**	**18**	**18**
Issue of shares (note 11)	**–**	**226**	**–**	**(30)**	**–**	**196**
Balance at 31 December 2020	**30,333**	**102,906**	**–**	**35,117**	**(120,459)**	**47,897**

The notes on pages 96 to 111 form an integral part of these financial statements.

Parent Company Cash Flow Statement
for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Cash flows from operating activities:			
Loss before tax		(39,608)	(167,585)
Net loss on extinguishment of re-financing		–	692
Depletion, depreciation and amortisation		36	26
Share based payment charge		397	194
Impairment of investments	2	42,330	63,730
Credit loss allowance	10	6,073	113,362
Unrealised gain on foreign exchange contracts		–	(71)
Changes in fair value of contingent consideration	9	180	–
Other income		(415)	–
Finance income		(12,970)	(13,857)
Finance costs		1,697	1,873
Other non-cash adjustments		(1)	(9)
Operating cash flow before working capital movements		(2,281)	(1,645)
Increase in trade and other receivables		(4,310)	(4,697)
Increase/(decrease) in trade and other payables		2,631	13,429
Cash (used in)/from operating activities		(3,960)	7,087
Tax refunded		–	–
Net cash (used in)/from operating activities		(3,960)	7,087
Cash flows from investing activities:			
Interest received		4	–
Net cash from investing activities		4	–
Cash flows from financing activities:			
Cash proceeds from issue of ordinary share capital	11	56	69
Proceeds from disposal of shares held in EBT net of costs		4	–
Drawdown on Reserve Based Lending facility	5	5,544	19,319
Repayment on Reserve Based Lending facility	5	(4,645)	(4,639)
Fees paid related to debt re-financing	5	–	(1,059)
Repayment of bonds	5	–	(21,355)
Interest paid	5	(940)	(2,021)
Net cash from/(used in) financing activities		19	(9,686)
Net decrease in cash and cash equivalents in the year		(3,937)	(2,599)
Net foreign exchange difference		(15)	25
Cash and cash equivalents at the beginning of the year		4,232	6,806
Cash and cash equivalents at the end of the year	5	280	4,232

The notes on pages 96 to 111 form an integral part of these financial statements.

Parent Company Financial Statements – Notes
for the year ended 31 December 2020

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 accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements were approved by the Board and authorised for issue on 7 April 2020. IGas Energy plc is a public limited company (limited by shares) incorporated and registered in England, United Kingdom, and listed on the Alternative Investment Market (AIM).

The Company financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period. 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. The Company reported a loss for the year of £39.6 million (2019: a loss of £167.6 million).

New and amended IFRS Standards that are effective for the current year

During the year, the Company adopted the following new and amended IFRSs for the first time for their reporting period commencing 1 January 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32	Amendments to References to the Conceptual Framework in IFRS Standards

The adoption of these standards does not have a material impact on the Company in the current or future reporting periods.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IFRS 16	COVID-19-Related Rent Concessions

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

1 Accounting policies continued

(b) Going concern

The Company is reliant on the performance of IGas plc and its subsidiaries (the Group) for liquidity. The Group continues to closely monitor and manage its liquidity risks. Cash flow 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, management's best estimate of foreign exchange rates and the Group's available loan facility under the RBL. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, strengthening of sterling and reductions in forecast oil and gas production rates.

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 RBL, which is re-determined semi-annually based on various parameters (including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants. Whilst we have better financial flexibility and a reduced overall cost of debt under the RBL and have successfully completed the 2020 year-end re-determination, we have re-evaluated our priorities in the short-term to ensure we weather both any oil price weakness and other impacts of COVID-19, including potential disruption to the Group's operational activities which could impact earnings, cash flows and financial condition of the Group.

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases worldwide. Measures taken by various governments to contain the virus affected global economic activity and resulted in a significant reduction in demand for oil. The fall in oil demand led to a fall in oil prices from around $60/bbl at the start of 2020 to a low of under $20/bbl in April 2020. Although the oil price has recovered sharply since then, to close 2020 above $50/bbl and has had a strong start to 2021, there remains significant uncertainty as to how COVID-19 and its aftermath will impact economies, oil demand and therefore oil price over the near and mid-term.

Management has also considered the impact of the COVID-19 global crisis on the Group's operations. We continue to monitor the situation closely and act within Government guidelines and have a number of contingency plans in place should our operations be significantly affected by the coronavirus. Many of our sites are remotely manned and at this stage we are well equipped as a business to ensure we maintain business continuity. Our production comes from a large number of wells in a variety of locations and we have flexibility in our off-take arrangements. We continue to liaise and co-operate with all the relevant regulators.

The Group's base case cashflow forecast was run with average oil prices of $61/bbl for 2021 and $58/bbl in 2022, with a foreign exchange rate of $1.40/£1 during the period. Our modelling included the benefits of the Group's commodity hedging policy with 369,600 bbls hedged at an average minimum price of $44/bbl. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility. Given the uncertainties described above, the level of Group revenues and availability of facilities under the RBL are inherently uncertain. As such, management has also prepared a downside forecast with average oil prices at $63/bbl in the second quarter of 2021 and have then modelled in a sudden crash in price to $43/bbl in July 2021 with prices remaining at that level for a year before increasing to $45/bbl in July 2022. Our downside case also included an average reduction in production of 5% over the period and a strengthening of sterling against the US dollar with rates moving to $1.45 by October 2021 and remaining at this level for 2022. To manage the impact of the downside scenario modelled, management would take mitigating actions, including further commodity hedging, delaying capital expenditure and additional reductions in costs in order to remain within the Group's debt liquidity covenants. All such mitigating actions are within management's control. In the downside case, management would also consider additional cash generating opportunities for the Group. While management acknowledges that these may not be completely in our control, we have assumed that cashflow from some of these opportunities would be available in 2022. In this downside scenario, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants for the 12 months from the date of approval of the financial statements. However, should oil price or demand (and therefore revenue) fall below our downside scenario oil price forecast, the Group may not have sufficient funds available for 12 months from the date of approval of these financial statements.

As a result, at the date of approval of the financial statements, there continues to be a material uncertainty in respect of the potential impact of COVID-19 on the Group's operational activities and future commodity prices. Given the Company is reliant on the performance of the Group for its liquidity, these conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Notwithstanding these material uncertainties, the Directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. These financial statements do not include the adjustments that would result if the Company were unable 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 below.

Parent Company Financial Statements – Notes
for the year ended 31 December 2020 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; and
- 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 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

Classification

The Parent Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded either in the income statement or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Parent Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

1 Accounting policies continued

(e) Financial instruments continued

The Parent Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the Parent Company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Parent Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Parent Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the income statement.

The Parent Company holds financial assets at amortised costs being trade and other receivables, cash and cash equivalents and restricted cash and derivative financial instruments used for hedging.

The Parent Company also hold financial liabilities at amortised cost being trade and other payables, borrowings, other creditors and derivative financial instruments used for hedging.

The Parent Company classifies its financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

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 amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. Details about the Company's impairment policy and the calculation of loss allowance is provided in the Impairment accounting policy below.

Trade and other payables

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

Impairment of financial assets

At the end of each reporting period, a provision is made if there is objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of loss is recognised in the income statement.

If in the subsequent period, the amount of loss decreased and the decrease is related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Expected credit loss

The Parent Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For loans and amounts due from the group undertakings, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of receivables.

Parent Company Financial Statements – Notes
for the year ended 31 December 2020 continued

1 Accounting policies continued
(e) Financial instruments continued
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 (the 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 cash flows 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 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) 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.

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 the income statement are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

(g) Share based payments
Where share options are awarded to employees (including Directors), the fair value of the options 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 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 may be transferred to another equity reserve.

Where the terms and conditions of options 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.

1 Accounting policies continued

(g) Share based payments continued

Where an equity settled award is identified as a replacement it will be treated as a modification to the original plan where the incremental fair value of the replacement award is expensed over the vesting period of the replacement award. The fair value of the original award on its grant date is continued to be recognised over its original vesting period.

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 in the 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).

(h) 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.

(i) 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 date of transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange rate ruling at the balance sheet date. All differences that arise are recorded in the income statement.

2 Investments in subsidiaries

Investments in subsidiaries comprises:

	31 December 2020			31 December 2019		
Parent Company	Investment in Group Companies £000	Loans to Group Companies* £000	Total £000	Investment in Group Companies £000	Loans to Group Companies* £000	Total £000
At 1 January	74,026	241,018	315,044	136,349	232,760	369,109
Acquisitions	3,284	–	3,284	–	–	–
Additions	2,069	8,281	10,350	1,407	8,258	9,665
Impairments	(42,330)	–	(42,330)	(63,730)	–	(63,730)
At 31 December	37,049	249,299	286,348	74,026	241,018	315,044
Credit loss allowance*	–	(100,102)	(100,102)	–	(97,569)	(97,569)
At 31 December	37,049	149,197	186,246	74,026	143,449	217,475

* Refer to note 10 for credit risk.

Loans to Group companies are repayable on demand and bear interest at either 1.2% above LIBOR or at a fixed rate of 6% and 12%.

During the year, the Company acquired GT Energy UK Limited for an initial payment of £0.5 million and the contingent consideration of £2.8 million. Refer to Group note 9 for details of the transaction.

Additions represent investment of £2.1 million (2019: £1.4 million) relating to employee share-based payment costs under IFRS 2 and £8.3 million (2019: £8.3 million) interest accrued on existing loans to Group companies.

The Company's investments in subsidiaries were reviewed for indicators of impairment as at 31 December 2020. Impairments of £42.3 million (2019: £63.7 million) are recorded against the investments which are not supported by the subsidiaries underlying net asset values.

Parent Company Financial Statements – Notes
for the year ended 31 December 2020 continued

2 Investments in subsidiaries continued
At 31 December 2020, the Company had investments in the following 100% owned subsidiaries:

Name of company	Principal activity and Country of incorporation	Registered office address
Subsidiaries held by Company:		
Dart Energy Pty Ltd	Investment holding, Australia	c/o PwC Level 23, 480 Queen Street, Brisbane QLD 4000
Island Gas Limited***	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Island Gas Operations Limited***	Dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Enterprise Limited***	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Star Energy Group Limited***	Service company, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Star Energy Limited***	Service company, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Star Energy Weald Basin Limited***	Oil and gas processing, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
GT Energy UK Limited***	Development of deep geothermal heat projects, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Subsidiaries held through subsidiaries:		
Island Gas (Singleton) Limited***	No operations but not dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Dart Energy (Europe) Limited	Investment holding, Scotland	c/o Womble Bond Dickinson (UK) LLP, 2 Semple Street, Edinburgh, EH3 8BL
Dart Energy (East England) Limited***	Shale gas exploration, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Dart Energy (West England) Limited***	Shale gas exploration, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Development Limited***	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Production Limited	Oil and gas exploration, development and production, Scotland	c/o Womble Bond Dickinson (UK) LLP, 2 Semple Street, Edinburgh, EH3 8BL
Greenpark Energy Transportation Limited***	Dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Dart Energy (India) Pty Limited	Investment holding, Australia	C/O Pwc Level 23, 480 Queen Street, Brisbane QLD 4000
Dart Energy India Services Pvt Limited****	Service company, India	804-805, 8th Floor, Tower B, Global Business Park, M.G Road, Gurugram, Harvana
Dart Energy International Limited*	Investment holding, Singapore	80 Robinson Road, #02-00, Singapore 068898
Dart Energy (Europe) Pte Limited *	Dormant, Singapore	80 Robinson Road, #02-00, Singapore 068898
Dart Energy (India) Pte Limited**	Investment holding – dormant, Singapore	80 Robinson Road, #02-00, Singapore 068898
Dart Energy (ST) Pte Limited	Investment holding – dormant, Singapore	80 Robinson Road, #02-00, Singapore 068898
Dart Energy (AS) Pte Limited	Investment holding, Singapore	80 Robinson Road, #02-00, Singapore 068898
Dart Energy (India) Holdings Pte Limited **	Dormant, Singapore	80 Robinson Road, #02-00, Singapore 068898

* These entities are in creditors' voluntary liquidation.
** These entities have been struck-off during the period.
*** The registered address of the subsidiaries incorporated in England was changed to the Welton Gathering Centre on 4 February 2021, subsequent to the year end. The previous registered address of these subsidiaries was 7 Down Street, London W1J 7AJ.
****This entity is in the process of being struck off.

3 Property, plant and equipment

	31 December 2020				31 December 2019			
	Buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000	Buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost								
At 1 January	464	96	20	580	464	96	20	580
Disposals	–	(10)	–	(10)	–	–	–	–
At 31 December	464	86	20	570	464	96	20	580
Accumulated depreciation and impairment								
At 1 January	409	94	20	523	384	93	20	497
Charge for the year	35	1	–	36	25	1	–	26
Disposals	–	(10)	–	(10)	–	–	–	–
At 31 December	444	85	20	549	409	94	20	523
NBV at 31 December	20	1	–	21	55	2	–	57

4 Trade and other receivables

	31 December 2020 £000	31 December 2019 £000
Amounts falling due within one year:		
Amounts due from subsidiary undertakings	44,252	39,945
Less: Credit loss allowance*	(25,736)	(22,195)
VAT recoverable	65	53
Other debtors	–	20
Prepayments	193	181
	18,774	18,004

* Refer to note 10 for credit risk.

Amounts due from subsidiary undertakings are unsecured, interest free and payment terms are as mutually agreed between the Group's companies with no expected credit loss. Amounts due from subsidiary undertakings are stated after the expected credit loss allowance of £25.7 million (31 December 2019: £22.2 million). Due to the short-term natures of the current receivables, their carrying amount is considered to be the same as their fair value.

Parent Company Financial Statements – Notes
for the year ended 31 December 2020 continued

5 Cash and cash equivalents

	31 December 2020 £000	31 December 2019 £000
Cash at bank and in hand	**280**	4,232

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.

Net debt reconciliation

	31 December 2020 £000	31 December 2019 £000
Cash and cash equivalents	**280**	4,232
Borrowings	**(13,695)**	(13,071)
Net debt	**(13,415)**	(8,839)
Borrowings – capitalised fees	**(937)**	(1,272)
Net debt excluding capitalised fees	**(14,352)**	(10,111)

	31 December 2020			31 December 2019		
	Cash and cash equivalents £000	**Borrowings £000**	**Total £000**	Cash and cash equivalents £000	Borrowings £000	Total £000
At 1 January	**4,232**	**(13,071)**	**(8,839)**	6,806	(20,980)	(14,174)
Repayment of borrowings	**–**	**–**	**–**	(21,355)	21,355	–
Interest paid on borrowing	**(940)**	**–**	**(940)**	(2,021)	–	(2,021)
Drawdown of RBL (note 8)	**5,544**	**(5,544)**	**–**	19,319	(19,319)	–
Capitalised fees	**–**	**–**	**–**	(1,059)	1,308	249
Repayment of RBL (note 8)	**(4,645)**	**4,645**	**–**	(4,639)	4,639	–
Foreign exchange adjustments	**15**	**610**	**625**	25	645	670
Other cash flows	**(3,926)**	**–**	**(3,926)**	7,156	–	7,156
Other non-cash movements	**–**	**(335)**	**(335)**	–	(719)	(719)
At 31 December	**280**	**(13,695)**	**(13,415)**	4,232	(13,071)	(8,839)

6 Trade and other payables

	31 December 2020 £000	31 December 2019 £000
Trade creditors	**(19)**	(39)
Taxation and social security	**(19)**	(36)
Amounts due to subsidiary undertakings	**(140,452)**	(141,040)
Accruals and other creditors	**(215)**	(657)
	(140,705)	(141,772)

Trade creditors are unsecured and usually paid within 30 days of recognition.

Amounts due to subsidiary undertakings are unsecured, interest free and payment terms are as mutually agreed between the Group's companies.

The carrying value of each of the Company's financial liabilities included within trade and other payables are considered to be a reasonable approximation of their fair value.

7 Taxation

Tax losses, none of which are considered sufficiently certain of utilisation to recognise deferred tax assets, amount to:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Excess management expenses	19,134	19,134
Non-trade loan relationship debits	47,905	47,905

8 Borrowings

	31 December 2020			31 December 2019		
	Within 1 year £000	Greater than 1 year £000	Total £000	Within 1 year £000	Greater than 1 year £000	Total £000
Reserve Based Lending facility (RBL) – secured	–	(13,695)	(13,695)	–	(13,071)	(13,071)

Reserve Based Lending facility

On 3 October 2019, the Company announced that it had signed a $40.0 million RBL facility with BMO Capital Markets (BMO). In addition to the committed $40.0 million RBL, a further $20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments. The RBL has a five-year term, an interest rate of LIBOR plus 4.0%, matures in September 2024 and is secured on the Company's assets. The RBL is subject to a semi-annual redetermination in May and November when the loan availability will be recalculated taking into account forecast commodity prices, remaining field reserves (assessed by an independent reserves auditor annually) and the latest forecast of operating and capital costs. As at 31 December 2020, the Group had successfully completed the November 2020 redetermination which confirmed an available facility limit of $31.7 million.

Under the terms of the RBL, the Group is subject to a financial covenant whereby, as at 30 June and 31 December each year, the ratio of Net Debt at the period end to EBITDAX for the previous 12 months shall be less than or equal to 3.5:1.

A loss of £0.7 million arising from debt re-financing was recognised for the year ended 31 December 2019.

Collateral against borrowing

A Security Agreement was executed between BMO and IGas Energy plc and some of its subsidiaries, namely; Island Gas Limited, Island Gas Operations Limited, Star Energy Weald Basin Limited, Star Energy Group Limited, Star Energy Limited, Island Gas (Singleton) Limited, Dart Energy (East England) Limited, Dart Energy (West England) Limited, IGas Energy Development Limited, IGas Energy Enterprise Limited, Dart Energy (Europe) Limited and IGas Energy Production Limited.

Under the terms of this Agreement, BMO have a floating charge over all of the assets of these legal entities, other than property, assets, rights and revenue detailed in a fixed charge. The fixed charge encompasses the Real Property (freehold and/or leasehold property), the specific petroleum licences, all pipelines, plant, machinery, vehicles, fixtures, fittings, computers, office and other equipment, all related property rights, all bank accounts, shares and assigned agreements and rights including related property rights (hedging agreements, all assigned intergroup receivables and each required insurance and the insurance proceeds).

9 Provisions

	31 December 2020 £000	31 December 2019 £000
At 1 January	–	–
Acquisitions	(2,784)	–
Unwinding of discount	(60)	–
Changes in fair value of contingent consideration	(180)	–
At 31 December	**(3,024)**	–

Contingent consideration

The carrying value of contingent consideration relates to GT Energy acquisition as explained in Group consolidated financial statements note 9. The change in fair value is primarily related to the increase in fair value of IGas plc shares between acquisition date and year ended 31 December 2020 as the consideration is payable in shares.

Parent Company Financial Statements – Notes
for the year ended 31 December 2020 continued

9 Provisions continued

Sensitivity of changes in assumptions

The principal assumptions in calculating the fair value of contingent consideration is the probability assigned to Milestone payments and the share price at valuation date. Management performed sensitivity analysis to assess the impact of changes to the key assumptions. An increase in the probability of the scenario which would result in the maximum pay out by 5% would result in an increase in the contingent consideration provision by £0.3 million. An increase in the share price at valuation date by 10% would result in an increase in the contingent consideration provision by £0.2 million.

10 Financial instruments and risk management

Fair values

The fair value of financial assets and liabilities and their carrying amounts, other than those with carrying amounts that are a reasonable approximation of their fair values, are as follows:

	Carrying amount		Fair value	
	31 December 2020 £000	31 December 2019 £000	**31 December 2020 £000**	31 December 2019 £000
Financial liabilities				
Amortised cost				
Reserve Based Lending facility (RBL) – secured	**(13,695)**	(13,071)	**(13,695)**	(13,071)

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, 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.

There are no non-recurring fair value measurements nor have there 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	**31 December 2020 £000**	31 December 2019 £000
Financial liabilities:			
Contingent consideration (note 9)	3	**(3,024)**	–

Financial risk management

The Company's principal financial liabilities comprise borrowings, foreign exchange contracts 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; and
- 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.

10 Financial instruments and risk management continued

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 December 2020 £000	31 December 2019 £000
50 basis point increase in LIBOR	**388**	388
50 basis point decrease in LIBOR	**(388)**	(388)

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 Company's borrowings are also denominated in US dollars.

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 December 2020 £000	31 December 2019 £000
10% strengthening of the pound against the US dollar	**1,452**	1,307
10% weakening of the pound against the US dollar	**(1,452)**	(1,307)

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 expected credit loss allowance against amounts due from subsidiary undertakings amounts to £25.7 million (31 December 2019: £22.2 million). 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 other than if the UK government is a majority shareholder. £0.3 million (2019: £4.2 million) of cash and cash equivalents were held with two institutions.

The loans to subsidiaries are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses apart from one loan which was provided for in full. The expected credit loss allowance against loans to subsidiaries amounts to £100.1 million (2019: £97.6 million). Management consider "low credit risk" to be when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Parent Company Financial Statements – Notes
for the year ended 31 December 2020 continued

10 Financial instruments and risk management continued
The loss allowance for the loan to subsidiary as at 31 December reconciles to the opening loss allowance as follows:

	Loan to subsidiary	
	31 December 2020 £000	31 December 2019 £000
Opening loss allowance at 1 January	119,765	6,402
Increase in lifetime expected credit loss allowance recognised in income statement during the year	765	195
Increase in 12 month expected loss allowance recognised in income statement during the year	5,308	113,168
Closing loss allowance at 31 December	125,838	119,765

Liquidity risk
The Company 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 Company's financial liabilities based on contractual undiscounted payments:

	On demand £000	<1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
At 31 December 2020						
Borrowings	–	–	–	(3,424)	(10,271)	(13,695)
Trade and other payables	–	(19)	–	–	–	(19)
	–	(19)	–	(3,424)	(10,271)	(13,714)
At 31 December 2019						
Borrowings	–	–	–	–	(13,071)	(13,071)
Trade and other payables	–	(39)	–	–	–	(39)
	–	(39)	–	–	(13,071)	(13,110)

Management considers that the Company has adequate current assets and forecast cash from operations to manage liquidity risks arising from current 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 requirements are met through a combination of debt and equity and are adjustments made in light of changes in economic conditions. The Company's strategy is to maintain ratios in line with covenants associated with its secured Reserve Based Lending facility (see note 8).

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 loans less cash, cash equivalents and restricted cash in net debt. Capital includes share capital, share premium, other reserves and accumulated profits/losses.

The Company signed a new $40.0 million RBL facility with BMO Capital Markets (BMO) on 3 October 2019. In addition to the committed $40.0 million RBL, a further $20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments (see note 8). Management believe that the new financing structure will be sustainable in the current oil price environment and, together with a carried work programme of up to $218 million, means that the Company is well positioned to pursue its strategy.

11 Share capital and share premium

On 3 April 2017, the shareholders approved the subdivision of each of the 303,305,534 ordinary shares of 10 pence each of the Company into one new ordinary share of 0.0001 pence each and one deferred share of 9.9999 pence each. At the Annual General Meeting of the Company on 14 June 2017, the shareholders approved a consolidation and subdivision of the Company's share capital in order to reduce the number of shares in issue to that more appropriate for the size of the Company. Following the consolidation, every 200 ordinary shares of 0.0001 pence each were consolidated into one new ordinary share of 0.02 pence each and immediately sub-divided into 10 ordinary shares of 0.002 pence. The consolidation and subdivision reduced the number of shares in issue from 2.4 billion to 121 million.

	Ordinary shares*		Deferred shares**		Share capital	Share premium
	No.	Nominal value £000	No.	Nominal value £000	Nominal value £000	Value £000
Issued and fully paid						
At 1 January 2019	122,077,269	2	303,305,534	30,331	30,333	102,501
2019 SIP share issue – partnership	107,135	–	–	–	–	69
2019 SIP share issue – matching	175,771	–	–	–	–	110
At 31 December 2019	122,360,175	2	303,305,534	30,331	30,333	102,680
2020 SIP share issue – partnership	**288,363**	**–**	**–**	**–**	**–**	**56**
2020 SIP share issue – matching	**285,362**	**–**	**–**	**–**	**–**	**56**
Shares issued in respect of salary sacrifice scheme	**1,235,168**	**–**	**–**	**–**	**–**	**–**
Shares issued for acquisitions (Group note 9)	**377,586**	**–**	**–**	**–**	**–**	**84**
Shares issued in lieu of Directors' fees	**250,515**	**–**	**–**	**–**	**–**	**30**
At 31 December 2020	**124,797,169**	**2**	**303,305,534**	**30,331**	**30,333**	**102,906**

* During the year, all remaining shares held in Employee Benefit Trust were disposed (2019: the number of ordinary shares includes 190,651 shares held in Employee Benefit Trust).
** Deferred shares were created on capital restructuring which completed in April 2017.

Accordingly, the Company share capital account comprised:

	£000
Share capital account	
At 1 January 2019	30,333
Shares issued during the year	–
At 31 December 2019	30,333
Shares issued during the year	**–**
At 31 December 2020	**30,333**

Share premium

The share premium account arises from the Company issuing shares for consideration in excess of their nominal value less the cost of such issues. During the year, the Company issued 2,436,995 ordinary shares at a nominal value of 0.002 pence each (2019: 282,906 ordinary shares of 0.002 pence each), resulting in an increase in share premium of £0.2 million (2019: £0.2 million). No costs in relation to the share issue were incurred during the year (2019: £nil).

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for the year ended 31 December 2020 continued

12 Other reserves
Other reserves are as follows:

	Share plan reserves £000	Treasury shares reserve £000	Capital contributions £000	Merger reserve £000	Total £000
Balance at 1 January 2019	10,454	(1,413)	47	22,222	31,310
Share options issued under the employee share plan	1,607	–	–	–	1,607
Shares issued under the SIP	–	(8)	–	–	(8)
Forfeiture of options under the employee share plan	(128)	–	–	–	(128)
Balance at 31 December 2019	11,933	(1,421)	47	22,222	32,781
Share options issued under the employee share plan	**2,298**	**–**	**–**	**–**	**2,298**
Shares issued under the SIP	**–**	**38**	**–**	**–**	**38**
Balance at 31 December 2020	**14,231**	**(1,383)**	**47**	**22,222**	**35,117**

Employee share plans – Equity settled
Details of the share options under employee share plans outstanding are as follows:

	EIP Number of units	MRP Number of units	EDRP Number of units
Outstanding at 1 January 2019	3,997,761	291,191	325,000
Exercisable at 1 January 2019	3,997,761	291,191	325,000
Awarded during the year	2,033,093	157,624	–
Exercised during the year	(33,808)	(8,883)	–
Forfeited during the year	(450,256)	–	–
Outstanding at 31 December 2019	5,546,790	439,932	325,000
Exercisable at 31 December 2019	5,546,790	439,932	325,000
Awarded during the year	**5,434,470**	**2,326,743**	**–**
Exercised during the year	**–**	**(1,511,715)**	**–**
Forfeited during the year	**(1,676,177)**	**–**	**–**
Outstanding at 31 December 2020	**9,305,083**	**1,254,960**	**325,000**
Exercisable at 31 December 2020	**9,305,083**	**1,254,960**	**325,000**

Note – all options are nil cost and therefore the weighted average exercise price is nil.

Detail disclosure of each employee share plan scheme is in the Group consolidated financial statements note 26.

Executive Incentive Plan (EIP)
The total charge for the year was £0.27 million (2019: £0.15 million). Of this amount, £nil (2019: £nil) was capitalised and £0.27 million (2019: £0.15 million) was charged to the income statement.

Management Retention Plan (MRP)
The total charge for the year was £0.08 million (2019: £0.02 million). Of this amount, £nil (2019: £nil) was capitalised or recharged to joint venture partners and £0.08 million (2019: £0.02 million) was charged to the income statement.

Executive Director Retention Plan (EDRP)
The total charge for the year was £nil (2019: £nil). Of this amount, £nil (2019: £nil) was capitalised and £nil (2019: £nil) was charged to the income statement.

Other share based payments
Detail disclosure of other share based payments is in the Group consolidated financial statements note 26.

12 Other reserves continued

Share Incentive Plan (SIP)

The total charge for the year was £nil (2019: £nil). Of this amount, £nil (2019: £nil) was capitalised and £nil (2019: £nil) was charged to the income statement.

Merger reserve

The merger reserve arose as a result of a reverse acquisition on 31 December 2007 whereby Island Gas Limited (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.

13 Related party transactions

(a) with Group companies

A summary of the transactions in the year is as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Amounts due from/(to) subsidiaries:		
At 1 January	20,159	129,706
Services performed (for)/by subsidiary	61	52
Net cash advances	1,056	(9,431)
Group loan interest	8,281	8,258
Allowance for credit loss	(6,073)	(113,362)
Revaluations	3,777	4,936
At 31 December	27,261	20,159

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Amounts due from subsidiary undertakings (note 4)	18,516	17,750
Amounts due to subsidiary undertakings (note 6)	(140,452)	(141,040)
Loans to Group companies (note 2)	149,197	143,449
Total	27,261	20,159

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 the Director' Remuneration Report.

14 Subsequent events

On 27 January 2021, the Company issued 338,277 Ordinary £0.00002 shares in relation to the Group's SIP scheme. The shares were issued at £0.0925 resulting in share premium of £31,291.

On 4 February 2021, the Company changed its registered address from 7 Down Street, London W1J 7AJ to the Welton Gathering Centre, Barfield Lane Off Wragby Road, Sudbrooke, Lincoln, England, LN2 2QX.

Oil and Gas Reserves
as at 31 December 2020

The Group's estimate of proved plus probable reserves at 31 December 2020 are based on an independent evaluation of IGas conventional oil and gas interests prepared by D&M, the leading international reserves and resources auditors. 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 MMbbl	Gas Bcf	Total MMboe
At 1 January 2020	14.41	9.48	16.05
Additions during the year	–	–	–
Revision of previous estimates	1.74	0.15	1.75
Production	(0.64)	(0.25)	(0.68)
Total change during the year	1.10	(0.10)	1.07
At 31 December 2020	**15.51**	**9.38**	**17.12**

IGas Onshore UK Licence Interests

Licence	Fields	Area km²	IGas interest	Operator	Other partners
East Midlands					
AL 009	Dunholme	9	100%	IGas	
EXL 288	Trumfleet	75	75%	IGas	INEOS
ML 3	Egmanton	26	100%	IGas	
ML 4	Gainsborough, Beckingham, Corringham, Glentworth	72	100%	IGas	
ML 6	Bothamsall	11	100%	IGas	
ML 7	South Leverton	11	100%	IGas	
PEDL 006	Cold Hanworth	136	100%	IGas	
PEDL 012		33	55%	IGas	INEOS
PEDL 139		100	32%	IGas	INEOS, Egdon, Ecorp
PEDL 140		142	32%	IGas	INEOS, Egdon, Ecorp
PEDL 169		62	80%	IGas	Egdon
PEDL 200		114	55%	IGas	INEOS
PEDL 210	Hemswell	116	75%	IGas	INEOS
PEDL 273		194	55%	IGas	Egdon, INEOS
PEDL 278		38	50%	IGas	Egdon
PEDL 305		143	55%	IGas	Egdon, INEOS
PEDL 316		111	55%	IGas	Egdon, INEOS
PL 178	West Beckingham	2	100%	IGas	
PL 179	Welton, Stainton, Nettleham, Scampton South, Scampton North, East Glentworth	107	100%	IGas	
PL 199	Nettleham	4	100%	IGas	
PL 220	Long Clawson, Rempstone	13	100%	IGas	
Weald Basin					
DL 002	Stockbridge	10	100%	IGas	
DL 004	Albury	14	100%	IGas	
ML 18	Bletchingley	8	100%	IGas	
ML 21	Bletchingley	9	100%	IGas	
PEDL 021	Goodworth	50	100%	IGas	
PEDL 070	Avington	18	54%	IGas	Egdon, Aurora, UKOG, Corfe
PEDL 235	Godley Bridge	100	100%	IGas	
PEDL 257	Lingfield	28	100%	IGas	
PEDL 326		95	100%	IGas	
PL 182	Palmers Wood	55	100%	IGas	
PL 205	Storrington	18	100%	IGas	
PL 211	Horndean	27	90%	IGas	UKOG
PL 233	Stockbridge	58	100%	IGas	
PL 240	Singleton	46	100%	IGas	
PL 249	Stockbridge	16	100%	IGas	

IGas Onshore UK Licence Interests
continued

Licence	Fields	Area km²	IGas interest	Operator	Other partners
North West					
EXL 273		48	15%	INEOS	
PEDL 145		74	40%	INEOS	
PEDL 147		89	25%	IGas	INEOS
PEDL 184		286	50%	IGas	INEOS
PEDL 189		100	25%	IGas	INEOS
PEDL 190		94	50%	IGas	INEOS
PEDL 193		296	40%	INEOS	
PEDL 293		200	30%	INEOS	
PEDL 295		200	30%	INEOS	
Scotland					
P 1270	Lybster	16	100%	IGas	
PEDL 158	Lybster	46	100%	IGas	

Glossary

£	The lawful currency of the United Kingdom
$	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
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
CCC	Committee on Climate Change
Contingent Recoverable Resource	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.
GIIP	Gas initially in place
m	Million
Mbbl	Thousands of barrels
MMboe	Millions of barrels of oil equivalent
MMscfd	Millions of standard cubic feet per day
NBP	National balancing point – a virtual trading location for the sale and purchase and exchange of UK natural gas
PEDL	United Kingdom petroleum exploration and development licence
PL	Production licence
RoSPA	Royal Society for the Prevention of Accidents
SoS	Secretary of State
Tcf	Trillions of standard cubic feet of gas
UK	United Kingdom

General Information

Directors
C McDowell – Interim Non-executive Chairman
S Bowler – Chief Executive Officer
P Jackson – Non-executive
T Kumar – Non-executive
H Årstad – Non-executive

Company Secretary
Thamala Perera Schuetze

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