Annual Report and Financial Statements
EUROPA OIL & GAS LIMITED

For the Year Ended 31 July 2018

Company registration number 3093716

Contents

Directors and advisors

Company registration number	3093716
Registered office	6 Porter Street London W1U 6DD
Directors	HGD Mackay P Greenhalgh
Secretary	P Greenhalgh
Banker	Royal Bank of Scotland plc 1 Albyn Place Aberdeen AB10 1BR
Solicitor	Charles Russell LLP 5 Fleet Place London EC4M 7RD
Auditor	BDO LLP 55 Baker Street London W1U 7EU

Directors' report

The directors present their report and the audited financial statements for the year ended 31 July 2018.

Principal activities

Europa Oil & Gas Limited's ("Europa") business comprises three core strands: production, appraisal and exploration and these activities take place in the UK.

Licence interests table

Country	Area	Licence	Field/ Prospect	Operator	Equity	Status
UK	East Midlands	DL 003	West Firsby	Europa	100%	Production
		DL 001	Crosby Warren	Europa	100%	Production
		PL 199/215	Whisby-4	BPEL	65%	Production
		PEDL180	Wressle	Egdon	30%	Development
		PEDL181		Europa	50%	Exploration
		PEDL182	Broughton North	Egdon	30%	Exploration
		PEDL299	Hardstoft	Ineos	25%	Field rejuvenation
		PEDL343	Cloughton	Third Energy	35%	Appraisal
	Weald	PEDL143		Europa	20%	Exploration

Business review

UK - Onshore Production

East Midlands: West Firsby; Crosby Warren; Whisby-4

Europa produces from three oilfields in the East Midlands: West Firsby (100% working interest); Crosby Warren (100% working interest); and the Whisby-4 well (65% non-operated interest). During the twelve months to 31 July 2018, 94 boepd were recovered from the three fields (2017: 113 boepd) with all the oil transported by road to the Immingham refinery. In terms of UK onshore oil production (excluding gas) Europa ranks third behind the Wytch Farm Group and IGas.

At current oil prices the company's existing production covers our operating overhead. Initiatives are underway to increase production at the existing operated oil fields at Crosby Warren and West Firsby. This work is expected to be completed in the fourth quarter of 2018.

UK - Development

East Midlands: PEDL180 (Wressle); PEDL182 (Broughton North)

The Wressle oil discovery is located on PEDL180 which lies on the same structural trend as, and 5km southeast of, Europa's producing Crosby Warren field. The Wressle-1 conventional exploration well was drilled in August 2014 and production testing in 2015 delivered a combined flowrate of over 700 boepd from three reservoir intervals: Ashover Grit; Wingfield Flags; and Penistone Flags. Reservoir engineering analyses indicate an initial production flow rate of 500 bopd gross from the Ashover Grit interval at Wressle. The Broughton North exploration prospect on PEDL182 lies adjacent and north of PEDL180. In 1984, a well drilled by BP discovered oil at Broughton.

A CPR undertaken in 2016 by ERCE assigned gross 2P reserves of 0.65 million boe to the Wressle structure in the Ashover and Wingfield Flags and gross 2C contingent resources of 1.86 million boe in the Penistone Flags. The CPR also assigned gross mean un-risked prospective resources of 0.6 million boe and a geological chance of success of 50% to Broughton North.

East Midlands: PEDL180 (Wressle); PEDL182 (Broughton North) (cont'd)

In January 2018 the Planning Inspectorate rejected an appeal by the partnership against North Lincolnshire Council Planning Committee's decision to refuse planning permission for the Wressle oil development. A new planning application for the Wressle oil field development was submitted in July 2018 by the operator Egdon Resources. The application had been recommended for approval by North Lincolnshire County Council's planning officers, but in November 2018 the Planning Committee refused the application. The operator, with the full support of its partners, intends to appeal the decision without delay and has begun preparing the appeal documentation. A separate application to extend planning consent at the Wressle site to 1 August 2019 was also submitted but, despite being recommended for approval by the Council's planning officers, was refused by the Planning Committee in August 2018. The partners have submitted an appeal against this refusal to the Planning Inspectorate.

We have considered the possible impairment of the PEDL180 asset in the light of the planning decisions. The Council's professional planning officers have consistently recommended the development for approval and we continue to believe that the case for a development of the Wressle discovery is strong and the partnership is committed to bringing the field into production.

Europa holds a 30% working interest in PEDLs 180 and 182. On 24 November 2016, Europa agreed the sale of a 10% interest in the two licences to Upland Resources. Completion of the sale was subject to planning and Field Development Plan ("FDP") approvals. Following the decision by the Planning Inspector in January 2018 to reject the appeals by the operator Egdon against the two planning refusals by North Lincolnshire County Council's Planning Committee, Upland elected to withdraw from the sale agreement and Europa has repaid the £160,000 deposit to Upland in the period.

UK – Exploration

Weald Basin: PEDL143 (Holmwood)

Europa holds a 20% interest in and is the operator of PEDL143, which lies in the Weald Basin, Surrey, 8km to the East of the Horse Hill discovery. PEDL143 contains the Holmwood conventional oil prospect which was assigned gross mean prospective resources of 5.6 million boe.

In September 2015 planning permission was granted to drill a temporary exploratory borehole from the Bury Hill Wood site to a depth of 1,400m. In July 2018, the Environment Agency granted a permit to allow the drilling and testing of a single well for the purposes of oil and gas exploration. The initial term of PEDL143 was extended by the Oil and Gas Authority to 30 September 2020.

Post period end, the Secretary of State for the Environment, Food and Rural Affairs, refused an application to extend the site lease and acting on behalf of the partnership, Europa withdrew its application to extend planning permission to drill the Holmwood exploration well from the Bury Hill Wood site. The partnership has since re-instated the site. The remaining prospectivity of PEDL143 will now be considered which, in addition to the established Portland sandstone reservoirs, includes the Kimmeridge Limestone, an emerging play in the Weald Basin. As evidence of possible impairment existed prior to the reporting date, we have written down the value of the intangible asset being largely the investment to date in obtaining planning permission to drill from the Bury Hill Wood site, a charge to income of £1,145,000.

East Midlands: PEDL299 (Hardstoft)

PEDL299 contains the Hardstoft oil field which was discovered in 1919 by the UK's first ever exploration well. Hardstoft produced 26,000 barrels of oil from Carboniferous limestone reservoirs in the 1920s. We believe there is more oil in the Hardstoft structure and gross 2C contingent resources of 3.1 million boe and gross 3C contingent resources of 18.5 million boe were identified in a CPR issued by joint venture partner Upland Resources. We believe that application of modern production testing and drilling methodologies could well lead to commercial oil flowrates being achieved. Europa's interest in PEDL299, which is restricted to the conventional prospectivity including Hardstoft, is 25%, alongside Upland 25% and INEOS, the operator, 50%.

Cleveland Basin: PEDL343 (Cloughton)

PEDL343 contains the Cloughton gas discovery, which was successfully drilled by Bow Valley in 1986 and flowed a small amount of gas to surface on production test from conventional Carboniferous sandstone reservoirs. Europa regards Cloughton as a gas appraisal opportunity with the critical challenge being to obtain commercial flowrates from future production testing operations. Europa holds a 35% interest in PEDL343 alongside Arenite 15%, Third Energy 20% (operator), Egdon Resources 17.5% and Petrichor Energy 12.5%.

Southern North Sea: Block 41/24

In December 2017, Europa announced the sale of its 50% interest in Promote Licence P2304 (UKCS Block 41/24) to Egdon along with joint venture partner Arenite Petroleum Limited ("Arenite") which also sold its 50% interest to Egdon as part of the same transaction. P2304 is located to the immediate south of Egdon's 100% owned licence P1929 (UKCS Blocks 41/18 and 41/19) offshore North Yorkshire. £46,000 spent on the licence was written off in the period.

East Midlands: PEDL181

PEDL181 provides exposure to the hydrocarbon potential of the Humber Basin. The licence has technical synergy with the adjacent PEDL334 which was awarded to an Egdon Resources-led group in the 14th Round for the purpose of conventional and unconventional exploration.

Results for the year and dividends
The Company loss for the year after taxation was £2,888,000 (2017: (£721,000). The directors do not recommend the payment of a dividend (2017: £nil).

Directors
The directors who served during the year were HGD Mackay and P Greenhalgh.

No director had, during the year or at the end of the year, a material interest in any contract in relation to the Company's activities.

Primary risks and uncertainties
A full discussion of risks and uncertainties is included in the accounts of the parent and ultimate controlling company Europa Oil & Gas (Holdings) plc.

Strategic report
The directors have taken advantage of the exemption not to present a Strategic Report in accordance with section 414B of the Companies Act 2006.

Key performance indicators
At its regular meetings, the Board closely monitors production rates, costs and progress with all the licences in which the Company has interests.

Financial instruments
See note 21 to the financial statements.

Related party transactions
See note 24 to the financial statements.

Post reporting date events
Details of post reporting date events are included in note 25 to the financial statements.

Capital structure and going concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company can continue in operational existence for the foreseeable future. This judgement is based on the performance of its existing oil production and correspondence with other Group companies and its bankers.

Further information can be found in note 1.

Accounting policies

A full list of accounting policies is set out in the notes to the accounts.

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved:

- So far as that director was aware there was no relevant available information of which the Company's auditors were unaware.
- That director had taken all necessary steps to make themselves aware of any relevant audit information, and to establish that the Company's auditors were aware of that information.

Auditors

In accordance with the Companies Act 2006, a resolution for the re-appointment of BDO LLP as auditors of the Company will be proposed at the next Annual General Meeting.

This report has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006.

Approved by the Board of directors and signed on behalf of the Board on 22 January 2019.

P Greenhalgh
Finance Director

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Report of the independent auditor

Independent auditor's report to the members of Europa Oil & Gas Limited

Opinion

We have audited the financial statements of Europa Oil & Gas Limited ("the Company") for the year ended 31 July 2018 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Strategic report.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Jack Draycott, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

22 January 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of comprehensive income

For the year ended 31 July	Note	2018 £000	2017 £000
Revenue	2	**1,635**	1,569
Cost of sales		**(1,411)**	(1,496)
Impairment of producing fields		**(142)**	-
Exploration write off		**(1,206)**	-
Total cost of sales		**(2,759)**	(1,496)
Gross (loss)/profit		**(1,124)**	73
Administrative expenses		**(690)**	(278)
Finance income	7	**7**	6
Finance expense	8	**(698)**	(701)
Loss before taxation	3	**(2,505)**	(900)
Taxation	9	**(383)**	179
Total comprehensive loss for the year		(2,888)	(721)

The accompanying accounting policies and notes form part of these financial statements.

Statement of financial position

As at 31 July	Note	2018 £000	2017 £000
Assets			
Non-current assets			
Intangible assets	10	**2,969**	3,653
Property, plant and equipment	11	**599**	806
Loans to group companies	14	**581**	376
Deferred tax asset	17	**-**	383
Total non-current assets		**4,149**	5,218
Current assets			
Inventories	13	**21**	14
Trade and other receivables	14	**352**	731
Cash and cash equivalents		**965**	728
Total current assets		**1,338**	1,473
Total assets		**5,487**	6,691
Liabilities			
Current liabilities			
Trade and other payables	15	**(472)**	(745)
Total current liabilities		**(472)**	(745)
Non-current liabilities			
Long-term borrowings	16	**(15,008)**	(13,217)
Long-term provisions	18	**(2,736)**	(2,570)
Total non-current liabilities		**(17,744)**	(15,787)
Total liabilities		**(18,216)**	(16,532)
Net liabilities		**(12,729)**	(9,841)
Capital and reserves attributable to equity holders of the company			
Share capital	19	**2**	2
Share premium	19	**3,266**	3,266
Retained deficit	19	**(15,997)**	(13,109)
Total equity		**(12,729)**	(9,841)

These financial statements have been prepared under the small company's accounting regime and were approved by the Board of directors on 22 January 2019 and signed on its behalf by:

P Greenhalgh
Finance Director
Company registration number 3093716

The accompanying accounting policies and notes form part of these financial statements.

Statement of changes in equity

	Share capital £000	Share premium £000	Retained deficit £000	Total equity £000
Balance at 1 August 2016	2	3,266	(12,393)	(9,125)
Total comprehensive loss for the year	-	-	(721)	(721)
Share based payment	-	-	5	5
Balance at 31 July 2017	**2**	**3,266**	**(13,109)**	**(9,841)**

	Share capital £000	Share premium £000	Retained deficit £000	Total equity £000
Balance at 1 August 2017	2	3,266	(13,109)	(9,841)
Total comprehensive loss for the year	-	-	(2,888)	(2,888)
Share based payment	-	-	-	-
Balance at 31 July 2018	**2**	**3,266**	**(15,997)**	**(12,729)**

The accompanying accounting policies and notes form part of these financial statements.

Statement of cash flows

For the year ended 31 July	Note	2018 £000	2017 £000
Cash flows used in operating activities			
Loss from operations		**(2,888)**	(721)
Adjustments for:			
Share based payments	20	**-**	5
Exploration write off		**1,206**	-
Impairment		**142**	-
Depreciation	11	**65**	173
Finance income	7	**(7)**	(6)
Finance expense	8	**698**	701
Taxation credit	9	**383**	(179)
(Increase)/decrease in inventories		**(7)**	9
Decrease/(increase) in trade and other receivables		**32**	(39)
(Decrease)/increase in trade and other payables		**(15)**	165
Cash (used in)/generated in operations		**(391)**	108
Income taxes paid		**-**	(144)
Net cash used in operating activities		**(391)**	(36)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**-**	(5)
Purchase of intangible assets		**(436)**	(749)
Sale of part interest in licence		**-**	600
Loans to subsidiary companies		**(205)**	(133)
Interest received		**6**	2
Net cash used in investing activities		**(635)**	(285)
Cash flows from financing activities			
Receipt of borrowings		**1,263**	598
Interest paid		**(4)**	(2)
Net cash from financing activities		**1,259**	596
Net increase in cash and cash equivalents		**233**	275
Exchange gain on cash		**4**	(15)
Cash and cash equivalents at beginning of year		**728**	468
Cash and cash equivalents at end of year		**965**	728

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Accounting Policies

General information

Europa Oil & Gas Limited is a company incorporated and domiciled in England and Wales with registered number 3093716. The address of the registered office is 6 Porter Street, London, W1U 6DD. The company's administrative office is at the same address.

The nature of the company's operations and its principal activities are set out in the Directors' report.

The functional and presentational currency of the company is Sterling (UK£).

Basis of accounting

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU. The policies have not changed from the previous year.

Exploration and evaluation assets are measured at historical cost and tested at least twice annually for impairment. Internally generated intangibles are measured at historic cost.

The accounting policies that have been applied in the opening statement of financial position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 July 2018.

Going concern

Given the continuing cash inflow from the Company's producing assets and the firm expectation of cash inflow from development assets, the Directors have concluded, at the time of approving the financial statements, that there is a reasonable expectation, based on the Company's cash flow forecasts, that the Company can continue in operational existence for the foreseeable future, which is deemed to be at least 12 months from the date of signing these financial statements. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Future changes in accounting standards

The IFRS financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.

The following are amendments to existing standards and new standards which will apply to the Company in future accounting periods.

		Effective date (periods beginning on or after)
IFRS 9	Financial instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is not expected to have any impact on the Company's revenue recognition.

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognise all lease assets and liabilities on the balance sheet; recognise amortisation of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cash flow statement. Under the new standard three property leases and four contract hire vehicles currently treated as operating leases will be recognised in the statement of financial position.

IFRS 9 will replace existing accounting Standards in relation to Financial Instruments. It is applicable to financial assets and liabilities and will introduce changes to existing accounting concerning classification, measurement and impairment (introducing an "expected credit loss" method, different to the current "incurred loss" method applied under IAS39). The Company is quantifying the effect that will have the new expected credit loss model for impairment of intercompany loans made by the company to its subsidiaries on the company financial statements.

Basis of preparation
The Company is exempt from the obligation to prepare and deliver consolidated group accounts as it has been included in the consolidated group accounts of its immediate parent company, Europa Oil & Gas (Holdings) plc which are publicly available. The Company is engaged in oil and gas exploration, development and production through unincorporated joint arrangements. The Company accounts for its share of the results and net assets of these joint arrangements. In addition, where the Company acts as operator to the joint arrangement, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint arrangement are included in the statement of financial position.

Revenue Recognition
Revenue, excluding value added tax and similar taxes, represents net invoiced sales of the Company's share of oil and gas revenues in the year. Revenue is recognised at the end of each month based upon the quantity and price of oil and gas delivered to the customer.

Non-current assets
Oil and gas interests
The financial statements with regard to oil and gas exploration and appraisal expenditure have been prepared under the full cost basis. This accords with IFRS 6 which permits the continued application of a previously adopted accounting policy.

Pre-production assets
Pre-production assets are classified as intangible assets on the statement of financial position. Pre-licence expenditure is expensed as directed by IFRS 6. Expenditure on licence acquisition costs, geological and geophysical costs, costs of drilling exploration, appraisal and development wells, and an appropriate share of overheads (including directors' costs) are capitalised and accumulated in cost pools on a geographical basis. These costs which relate to the exploration, appraisal and development of oil and gas interests are initially held as intangible non-current assets pending determination of commercial viability. On commencement of production these costs are tested for impairment prior to transfer to production assets.

Production assets
Production assets are categorized within property, plant and equipment on the statement of financial position. With the determination of commercial viability and approval of an oil and gas project the related pre-production assets are transferred from intangible non-current assets to property, plant and equipment and depreciated upon commencement of production within the appropriate cash generating unit.

Impairment tests
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) as disclosed in notes 10 and 11. As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

Impairment tests are performed when indicators as described in IFRS6 are identified. In addition, indicators such as a lack of funding or farm-out options for a licence which is approaching termination, or the implied value of a farm-out transaction are considered as indicators of impairment.

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation
All expenditure within each cost pool is depreciated from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proven plus probable commercial reserves at the end of the period, plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs within each cost pool. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Reserves

Proven and probable oil and gas reserves are estimated quantities of commercially producible hydrocarbons which the existing geological, geophysical and engineering data shows to be recoverable in future years. The proven reserves included herein conform to the definition approved by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC). The probable and possible reserves conform to definitions of probable and possible approved by the SPE/WPC using the deterministic methodology. Reserves used in accounting estimates for depreciation are updated periodically to reflect management's view of reserves in conjunction with third party formal reports. Reserves are reviewed at the time of formal updates or as a consequence of operational performance, plans and the business environment at that time.

Reserves are adjusted in the year that formal updates are undertaken or as a consequence of operational performance and plans, and the business environment at that time, with any resulting changes not applied retrospectively.

Future decommissioning costs

A provision for decommissioning is recognised in full at the point that the Company has an obligation to decommission an appraisal, development or producing well. A corresponding non-current asset (included within producing fields in note 11) of an amount equivalent to the provision is also created. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. For producing wells, the asset is subsequently depreciated as part of the capital costs of production facilities within tangible non-current assets, on a unit of production basis. Any decommissioning obligation in respect of a pre-production asset is carried forward as part of its cost and tested annually for impairment in accordance with the above policy.

Changes in the estimates of commercial reserves or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset. The unwinding of the discount on the decommissioning provision is included within finance expense.

Acquisitions of Exploration Licences

Acquisitions of Exploration Licenses through acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset. Related future consideration that is contingent is not recognised as an asset or liability until the contingent event has occurred.

Taxation

Current tax is the tax payable based on taxable profit/(loss) for the year.

Deferred income taxes are calculated using the balance sheet liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. Tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary difference will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Foreign currency
The Company prepares its financial statements in Sterling.

Transactions denominated in foreign currencies are translated at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the statement of comprehensive income in the period in which they arise.

Exchange differences on non-monetary items are recognised in the Statement of Changes in Equity to the extent that they relate to a gain or loss on that non-monetary item taken to the Statement of Changes in Equity, otherwise such gains and losses are recognised in the statement of comprehensive income.

The Company has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

Investments
Investments, which are only investments in subsidiaries, are carried at cost less any impairment.

Financial instruments
Financial assets and liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company classifies financial assets into loans and receivables, which comprise trade and other receivables and cash and cash equivalents. The Company has not classified any of its financial assets as held to maturity or available for sale or fair value through profit or loss.

Trade and other receivables are measured initially at fair value plus directly attributable transaction costs, and subsequently at amortised cost using the effective interest rate method, less provision for impairment. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due. The amount of any provision is recognised in the Statement of comprehensive income.

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less.

The Company classifies financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The accounting policy for each category is as follows:
<u>Other financial liabilities.</u>
Include the following items: Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Leased assets
During the current and prior year the Company did not have any finance leases. All leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Inventories

Inventories comprise oil in tanks stated at the lower of cost and net realisable value. Cost is determined by reference to the actual cost of production in the period.

Share-based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to reserves. Where options over the parent company's shares are granted to employees of subsidiaries of the parent, the charge is recognised in the statement of comprehensive income of the subsidiary.

In the parent company accounts there is an increase in the cost of the investment in the subsidiary receiving the benefit.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if the number of share options ultimately exercised is different to that initially estimated.

Upon exercise of share options the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium.

Critical accounting judgements and key sources of estimation uncertainty

Details of the Company's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

Accounting judgements and estimates:

- Carrying value of intangible assets (note 10) – carrying values are justified with reference to indicators of impairment as set out in IFRS 6. Based on judgements at 31 July 2018, the investment in securing planning permission to drill the Holmwood well from the Bury Hill Wood site was written off and no impairment was recognised in respect of the Wressle project. (Please see see page 4 – "PEDL180 (Wressle); PEDL182 (Broughton North)" for the conclusion reached as to why no impairment was recognised) Carrying value of property, plant and equipment (note 11) – carrying values are justified by reference to future estimates of cash flows, discounted at appropriate rates.
- Deferred taxation (note 17) – assumptions regarding the future profitability of the Company and whether the deferred tax assets will be recovered.
- Decommissioning provision (note 18) – inflation and discount rate estimates (2% and 10% respectively) are used in calculating the provision, along with third party estimates of remediation costs.
- Share-based payments (note 20) – various estimates, referenced to external sources where possible, are used in determining the fair value of options.

2 Operating segment analysis

In the opinion of the directors the Company has one class of business, being oil and gas exploration appraisal and production.

In the period, Europa has considered potential new venture opportunities in seven countries outside of Ireland and the UK. These range from greenfield exploration to brownfield re-development projects in North Africa, Western Europe, and Central Europe. Only those opportunities which stand up to robust technical and commercial scrutiny and which meet the Company's strict investment criteria, particularly in terms of cost, strategic fit, political, security and regulatory risk, and have clearly defined paths to value creation are being pursued. We continue to screen possible new ventures in areas which fit well with Europa's strategy and technical skillset. As a result of the above, in the opinion of the Directors the Company has two reportable segments being the UK and new ventures. 100% of the total revenue (2017: 100%) relates to UK based customers. Of this figure, one single customer (2017: one) commands more than 99% of the total.

Income statement for the year ended 31 July 2018

	UK	New Ventures	Total
	£000	**£000**	**£000**
Revenue	1,635		1,635
Cost of sales	(2,759)	-	(2,759)
Gross profit	**(1,124)**	**-**	**(1,124)**
Administrative expenses	(461)	(229)	(690)
Finance income	7	-	7
Finance costs	(698)	-	(698)
Loss before tax	**(2,276)**	**(229)**	**(2,505)**
Taxation	(383)	-	(383)
Loss for year	**(2,659)**	**(229)**	**(2,888)**

Segmental assets and liabilities as at 31 July 2018

	UK	New Ventures	Total
	£000	**£000**	**£000**
Non-current assets	4,149	-	4,149
Current assets	1,338	-	1,338
Total assets	**5,487**	**-**	**5,487**
Non-current liabilities	(17,744)	-	(17,744)
Current liabilities	(472)	-	(472)
Total liabilities	**(18,216)**	**-**	**(18,216)**
Other segment items			
Capital expenditure	436	-	436
Depreciation	65	-	65
Share based payments	-	-	-

Income statement for the year ended 31 July 2017

	UK	New Ventures	Total
	£000	£000	£000
Revenue	1,569		1,569
Cost of sales	(1,496)	-	(1,496)
Gross profit	**73**	**-**	**73**
Administrative expenses	(278)	-	(278)
Finance income	6	-	6
Finance costs	(701)	-	(701)
Loss before tax	**(900)**	**-**	**(900)**
Taxation	179	-	179
Loss for year	**(721)**	**-**	**(721)**

Segmental assets and liabilities as at 31 July 2017

	UK	New Ventures	Total
	£000	£000	£000
Non-current assets	5,218	-	5,218
Current assets	1,473	-	1,473
Total assets	**6,691**	**-**	**6,691**
Non-current liabilities	(15,787)	-	(15,787)
Current liabilities	(745)	-	(745)
Total liabilities	**(16,532)**	**-**	**(16,532)**
Other segment items			
Capital expenditure	854	-	854
Depreciation	173	-	173
Share based payments	5	-	5

3 Loss before taxation

Loss from continuing operations is stated after charging:

	2018	2017
	£000	£000
Depreciation	**65**	173
Staff costs including directors (note 5)	**213**	214
Impairment of producing fields	**142**	-
Exploration write off	**1,206**	-
Fees payable to the auditor	**36**	32
Operating leases	**40**	40
Amount of inventory recognised as an expense	**-**	9
Foreign exchange loss	**-**	15

4 Directors' emoluments (salaries and fees)

	2018 £000	2017 £000
All directors	-	-

The emoluments of the directors were borne by another Group company and it is not possible to apportion the cost of this remuneration relevant to services rendered to Europa Oil and Gas Limited.

5 Employee information

Average number of employees including directors

	2018 Number	2017 Number
Field exploration and production	4	4
	4	4

Staff costs

	2018 £000	2017 £000
Wages and salaries	168	164
Employer's costs	22	22
Pensions	23	23
Share based payments	-	5
	213	214

6 Key management personnel

The emoluments of the key management personnel were borne by another Group company and it is not possible to apportion the cost of this remuneration relevant to services rendered to Europa Oil and Gas Limited. The Company did not provide any benefits or post-retirement benefits to the key management personnel.

7 Finance income

	2018 £000	2017 £000
Interest receivable	6	2
Interest receivable on tax	-	4
Foreign exchange gains	1	-
	7	6

8 Finance expense

	2018 £000	2017 £000
Loan interest payable	529	460
Unwinding of discount on decommissioning provision (note 18)	166	224
Foreign exchange losses	-	15
Bank charges	3	2
	698	701

9 Taxation

	2018 £000	2017 £000
Movement in deferred tax asset (note 17)	751	(234)
Movement in deferred tax liability (note 17)	(368)	55
Tax credit	383	(179)

UK corporation tax is calculated at 30% (2017: 30%) of the estimated assessable profit for the year being the applicable rate for a ring-fence trade excluding the Supplementary Charge of 10% (2017: 10%).

	2018	2017
	£000	£000
Loss before tax	(2,505)	(900)
Tax reconciliation		
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2017: 30%)	(751)	(270)
Partial write off of prior year deferred tax asset	751	-
Expenses not deductible for tax purposes	-	2
Other reconciling items	383	89
Total tax charge	383	(179)

10 Intangible assets

	2018	2017
	£000	£000
At 1 August	3,653	3,715
Additions	521	538
Exploration write off	(1,205)	-
Disposals Sale of 3.34% interest in PEDL180 and PEDL182	-	(600)
At 31 July	2,969	3,653

Intangible assets comprise the Company's pre-production expenditure on licence interests as follows:

	2018	2017
	£000	£000
UK PEDL 143 (Holmwood)	9	913
UK PEDL 180 (Wressle)	2,750	2,532
UK PEDL 181	96	61
UK PEDL 299 (Hardstoft)	12	12
UK PEDL 182 (Broughton)	26	25
UK PEDL 348 (Cloughton)	76	69
UK Block 41/24	-	41
Total	2,969	3,653

Exploration write off

	2018	2017
	£000	£000
UK PEDL 143 (Holmwood)	1,159	-
UK Block 41/24	46	-
	1,205	-

If the Company is not able to or elects not to continue in any other licence, then the impact on the financial statements will be the impairment of some or all of the intangible assets disclosed above. Further details of the commitments are included in note 22.

11 Property, plant and equipment

Producing fields

	2018 £000	2017 £000
Cost		
At 1 August	**10,585**	10,580
Additions	**-**	5
At 31 July	**10,585**	10,585
Depreciation and depletion		
At 1 August	**9,779**	9,606
Charge for year	**65**	173
Impairment	**142**	-
At 31 July	**9,986**	9,779
Net Book Value		
At 1 August	**806**	974
At 31 July	**599**	806

The producing fields referred to in the table above are the production assets of the Company, namely the oilfields at Crosby Warren and West Firsby, and the Company's interest in the Whisby W4 well, representing three of the Company's cash generating units.

The carrying value of each producing field was tested for impairment by comparing the carrying value with the value-in-use. The value in use was calculated using a discounted cash flow model with production decline rates of 7.5-11%, Brent crude prices rising from US$72 per barrel in 2019 to US$77 per barrel in 2022 and a pre-tax discount rate of 19%. The pre-tax discount rate is derived from a post-tax rate of 10% and is high because of the applicable rates of tax in the UK. Cash flows were projected over the expected life of the fields which is expected to be longer than 5 years. There was an impairment in the year of £142,000 relating to the West Firsby site (2017: no impairment).

Sensitivity to key assumption changes
Variations to the key assumptions used in the value-in-use calculation would cause impairment of the producing fields as follows:

	Further impairment of producing fields £000
Production decline rate (current assumption 7.5-11%)	
15%	309
20%	605
Brent crude price per barrel (current assumption US$72/bbl in 2019 rising to US$77/bbl in 2022)	
10% reduction in the assumed forward price	300
15% reduction in the assumed forward price	474

12 Investments

Investment in subsidiaries	**£000**
31 July 2018 and 31 July 2017	-

The Company owns 100% of the ordinary share capital of Europa Oil & Gas (New Ventures) Limited (previously Europa Oil & Gas Resources Limited the name was changed on 16th May 2018) and 100% of the ordinary share capital of Europa Oil & Gas (UK) Limited.

Both subsidiaries are dormant and are registered in the UK.

13 Inventories

	2018	2017
	£000	£000
Oil in tanks	21	14

14 Trade and other receivables

	2018	2017
Current trade and other receivables	£000	£000
Trade receivables	301	612
Other receivables	22	88
Prepayments and accrued income	29	31
	352	731
Non-current receivables		
Owed by Group undertakings	581	376

15 Trade and other payables

	2018	2017
	£000	£000
Trade payables	433	708
Accruals and deferred income	39	37
	472	745

16 Borrowings

	2018	2017
Loans repayable in 2 to 5 years	£000	£000
Loan from parent	14,988	13,197
Intercompany balance with subsidiary	20	20
Total long term borrowing	15,008	13,217

The loan from the parent company represents borrowings against a facility put in place on 21 July 2008 with Europa Oil & Gas (Holdings) plc. The loan is unsecured and there is no scheduled repayment date.

17 Deferred Tax

	2018	2017
Recognised deferred tax liability:	£000	£000
As at 1 August	(383)	(204)
Charged/(credited) to income statement	383	(179)
At 31 July	-	(383)

The Company has a deferred tax liability of £1,174,000 (2017: £1,542,000) arising from accelerated capital allowances and a deferred tax asset of £1,174,000 (2017: £1,925,000) arising from trading losses which will be utilised against future taxable profits. These have been offset against each other resulting in a total of £nil net asset/liability (2017: £383,000). This offsetting is required because the Group settles current tax assets and liabilities on a net basis.

The Company has a non-recognised deferred tax asset of £5,370,000 (2017: £3,518,000), which arises in relation to ring-fence UK trading losses of £5.9 million (2017: nil) and non-ring-fence UK trading losses of £12.0 million (2017: £11.7 million).

18 Provisions

Decommissioning provisions are based on third party estimates of work which will be required and the judgement of directors. By its nature, the detailed scope of work required and timing is uncertain.

	2018	2017
Long-term provisions	**£000**	**£000**
As at 1 August	**2,570**	2,346
Charged to the statement of comprehensive income	**166**	224
At 31 July	**2,736**	2,570

19 Called up share capital

	2018	2017
	£000	**£000**
Authorised		
1,000,000 ordinary shares of 10p each	**100**	100
Allotted, called up and fully paid		
19,344 ordinary shares of 10p each (2017: 19,344)	**2**	2

All the authorised and allotted shares are of the same class and rank pari passu. The following describes the purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Retained deficit	Cumulative net gains and losses recognised in the consolidated income statement.

20 Share based payments

There are 760,000 ordinary 1p share options in Europa Oil and Gas (Holdings) plc (2017: 760,000) held by employees of the Company.

There were no options granted in 2018. The fair value of options granted in 2017 was determined using a Black Scholes Merton model, and the inputs used to determine the values of the options are detailed in the table below:

Grant date	13 June 2017
Number of options	160,000
Share price at grant	6.2p
Exercise price	8p
Volatility	60%
Dividend yield	nil
Risk free investment rate	0.29%
Option life (years)	6
Fair value per share	1.94p

The 2017 options vest if the share price is above 10p for 30 days and expire on the 10th anniversary of the grant date.

Volatility is based on the parent company's share price volatility since flotation.

The charge arising from the grant of employee share options was £nil (2017: £5,000).

	2018 Number of options	2018 Average exercise price	2017 Number of options	2017 Average exercise price
Outstanding at the start of the year	760,000	9.55p	680,000	11.7p
Outstanding at the end of the year	760,000	9.55p	760,000	9.55p
Exercisable at the end of the year	546,664	11.8p	546,664	11.8p

The weighted average remaining contractual life of share options outstanding at the end of the period was 5.8 years (2017: 6.2 years).

21 Financial instruments

The Company's financial instruments comprise cash, bank borrowings, loans, cash, and items such as receivables and payables which arise directly from its operations. The company's activities are subject to a range of financial risks the main ones being credit, liquidity, interest rates, commodity prices and foreign exchange. These risks are managed through ongoing review taking into account the operational, business and economic circumstances at that time.

Credit risk

The Company is exposed to credit risks as it sells all crude oil produced to one multinational oil company. The customer is invoiced monthly for the oil delivered to the refinery in the previous month and invoices are settled in full on the 15th of the following month. At 31 July 2018 trade receivables were £301,000 representing one month of oil revenue and receivables due from project partners (2017: £612,000). The fair value of trade receivables and payables approximates to their carrying value because of their short maturity. Any surplus cash is held on deposit with Royal Bank of Scotland. The maximum credit exposure in the year was £161,000 (2017: £155,000).

Liquidity risk

The Company currently has no overdraft or overdraft facility with its bankers.

The Company monitors its levels of working capital to ensure it can meet liabilities as they fall due. The following tables show the contractual maturities of the Company's financial liabilities, all of which are measured at amortised cost.

At 31 July 2018	Trade and other payables £000	Long term borrowings £000
6 months or less	472	-
2-5 years	-	15,008
Total	472	15,008
At 31 July 2017		
6 months or less	745	-
6-12 months	-	13,217
Total	745	13,217

Trade and other payables do not normally incur interest charges. Borrowings bear interest at variable rates. There is no difference between the fair value of trade and other payables and their carrying amount.

Interest rate risk

The Company has interest bearing liabilities.

Commodity price risk

The selling price of the Company's production of crude oil is set at a small discount to Brent prices. The table below shows the range of prices achieved in the year and the sensitivity of the Company's Loss Before Taxation (LBT) to such movements in oil price. There would be a corresponding increase or decrease in net assets.

Oil price	Month	2018 Price $/bbl	2018 LBT £000	2017 Price $/bbl	2017 LBT £000
Highest	May 18	**75.40**	**(2,231)**	54.1	(703)
Average		**64.60**	**(2,505)**	49.0	(869)
Lowest	Aug 17	**50.60**	**(2,858)**	44.1	(1,029)

Foreign exchange risk

The Company's production of crude oil is invoiced in US Dollars. Revenue is translated into Sterling using a monthly exchange rate set by reference to the market rate. The table below shows the range of average monthly US Dollar exchange rates used in the year and the sensitivity of the Company's LBT to movements in US Dollar exchange.

US Dollar	Month	2018 Rate $/£	2018 LBT £000	2017 Rate $/£	2017 LBT £000
Highest	Jan 18	**1.422**	**(2,586)**	1.544	(1,096)
Average		**1.351**	**(2,504)**	1.452	(1,021)
Lowest	Aug 17	**1.289**	**(2,426)**	1.327	(902)

Foreign exchange risk (cont'd)

The table below shows the Company's currency exposures. Exposures comprise the assets and liabilities of the Company that are not denominated in the functional currency.

Currency	2018 £000	2017 £000
US Dollar	**830**	735
Total	**830**	735

Capital risk management

The Company's capital is closely monitored by the directors in the light of the capital needs of the Europa Oil & Gas (Holdings) plc Group as a whole. Further details are disclosed in the Group Annual Report and Accounts which are publicly available.

22 Capital commitments and guarantees

For PEDL299 (Hardstoft) and PEDL343 (Cloughton) there is a commitment to acquire seismic and Europa's share of combined cost is expected to be £1.25 million.

If the Company is not able to raise funds, farm-down, or extend licences; or elects not to continue in an exploration licence, then the impact on the financial statements will be the impairment of the relevant intangible asset disclosed in note 11.

23 Operating lease commitments

Europa Oil & Gas Limited pays annual site rentals for the land upon which the West Firsby and Crosby Warren oil field facilities are located. The West Firsby lease runs until September 2022 and can be terminated upon giving two months' notice. The annual cost is currently £21,000 (2017: £20,000) and increases annually in line with the retail price index. The Crosby Warren lease runs until December 2022 and can be terminated on three months' notice. The annual cost is currently £20,000 (2017: £20,000).

Future minimum lease payments are as follows:

	2018 £000	2017 £000
Less than 1 year	**40**	40
2-5 years	**120**	160
5+ years	**-**	
Total	**160**	200

24 Related party transactions

The Company received services from its parent Europa Oil & Gas (Holdings) plc to the value of £1,256,000 (2017: £1,165,000). This included geological, operational and financial services provided by the executive directors of Europa Oil & Gas (Holdings) plc.

At the end of the year the Company owed the following unsecured amounts to related parties:

	2018 £000	2017 £000
Europa Oil & Gas (Holdings) plc	**14,988**	13,197
Europa Oil & Gas (UK) Ltd	**20**	20
	15,008	13,217
Comprising:		
Loans (note 16)	**15,008**	13,217

During the year, the Company provided no services to subsidiary and other Group companies.

At the end of the year the Company was owed the following amounts by subsidiaries:

	2018 £000	2017 £000
Europa Oil & Gas (Ireland West) Limited	**176**	110
Europa Oil & Gas (Ireland East) Limited	**368**	266
Europa Oil & Gas (Inishkea) Limited	**37**	-
Total	581	376

Provision against balance owed by fellow subsidiaries

	2018 £000	2017 £000
Balance of provision at 1 August	7	7
Provision made in the year	-	-
Total at 31 July	7	7

25 Post reporting date events

PEDL143 (Holmwood) the Secretary of State for Environment, Food and Rural Affairs, decided not to renew the lease at Bury Hill Wood, Coldharbour Lane leading to a withdrawal of the planning application to drill from the site.

In November 2018 the Planning Committee refused the Wressle (PEDL 180) oil field development application. The operator, with the full support of its partners, intends to appeal the decision without delay and has begun preparing the appeal documentation.

26 Ultimate parent undertaking

The parent company and ultimate and immediate controlling company is Europa Oil & Gas (Holdings) plc, a company registered in England and Wales, the accounts of which are available from 6 Porter Street, London, W1U 6DD.