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## **IGas Exploration UK Limited**

Report and Financial Statements

Fifteen months Ended

31 March 2012

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# **IGas Exploration UK Limited**

## **Report and financial statements for the fifteen months ended 31 March 2012**

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### **Contents**

#### **Page**

1	Report of the directors
4	Independent auditors' report to the shareholder of IGas Exploration UK Limited
6	Profit and loss account
6	Statement of total recognised gains and losses
7	Balance sheet
8	Notes forming part of the financial statements

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### **Directors**

A Austin  
S Bowler

### **Secretary**

S White

### **Registered office**

7 Down Street, London, W1J 7AJ

### **Company number**

04323945

### **Auditors**

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

# **IGas Exploration UK Limited**

## **Report of the directors for the fifteen months ended 31 March 2012**

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The directors present their report together with the audited financial statements for the 15 months ended 31 March 2012. The accounting periods are not comparable with the prior year as this 15 month period represents a long period of account to align the year end with the Parent Company.

### **Results and dividends**

The profit and loss account is set out on page 5 and shows the profit for the period.

The company made a profit for the fifteen month period of £15,853,000 (2010 – loss of £293,000). No dividend was paid or proposed during the year (2010 – £Nil). The retained profit is transferred to reserves giving an accumulated surplus carried forward at 31 March 2011 of £29,478,000 (2010 – deficit of £3,169,000).

### **Going Concern**

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the interim financial statements of IGas for the 6 months ended 30 September 2012, approved on 19 December 2012, which were prepared on a going concern basis.

### **Principal activity, trading review and future developments**

The principal activity of the company up to 19 December 2011 was the business of exploration and production of gas.

The company held an interest in one offshore exploration licence (P1481) and eleven onshore exploration licences (PEDLS 40, 56, 78, 92, 107, 115, 116, 145, 184, 190, and 193). As part of a Group wide restructuring, the company sold its interests in its assets, liabilities and their related trade to Island Gas Limited. The effective date of the transaction was 19 December 2011.

The company is consolidated in the Annual Report and Accounts of IGas Energy PLC ('the Parent') for 15 month period ended 31 March 2012.

The company's Principal risks, uncertainties and key performance indicators are only managed at the IGas Energy plc level. To gain a further understanding of this business further details are disclosed in the financial statements of the Parent.

The company, due to its size, has taken advantage of the exemption available under Section s417(1) of the Companies Act 2006 not to present a business review in accordance with the Companies Act 2006 requirements.

### **Charitable donations**

The company made no charitable contributions during the period (2010 – £ Nil).

# IGas Exploration UK Limited

## Report of the directors for the fifteen months ended 31 March 2012 (*Continued*)

### Directors

The directors of the company during the fifteen months were

Name	Date of Appointment	Date of Resignation
A Austin	10 March 2011	
J Blaymires	10 March 2011	
S Bowler	01 November 2011	
R A Benmore		10 March 2011
R N Fennell		10 March 2011
L T Harvey		10 March 2011
A O'Brien		20 January 2011
P Oldham		10 March 2011
M J Schonberger		10 March 2011

### Corporate governance

IGas Exploration UK Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance

### Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

## **Directors' 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 the 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 the extent of the indemnities is as described in Section 54 of the Company's Articles of Association as adopted on 5 October 2009. These provisions remained in force throughout the year and remain in place at the date of this report.

## **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.



**By order of the Board**

S White

**Secretary**

20 March 2013

# **IGas Exploration UK Limited**

## **Independent auditors' report to the shareholder of IGas Exploration UK Limited**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IGAS EXPLORATION UK LIMITED**

We have audited the financial statements of IGas Exploration UK Limited for the 15 months ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the fifteen months then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

# IGas Exploration UK Limited

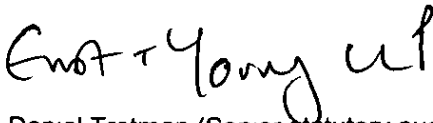
## Independent auditors' report to the shareholder of IGas Exploration UK Limited

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

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

- adequate accounting records have not been kept, 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



Daniel Trotman (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
20 March 2013

# IGas Exploration UK Limited

## Profit and loss account for the fifteen months ended 31 March 2012

		15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
	Note		
Other income		-	381
Exploration Expenses		-	(109)
Administrative Expenses		(3)	2
Profit on sale of assets	16	1,566	-
<b>Operating profit</b>	3	1,563	274
Interest receivable and similar income	4	428	-
Interest payable and similar charges	5	(8)	(377)
<b>Profit/(loss) on ordinary activities before taxation</b>		1,983	(103)
Tax credit/(charge) on profit/(loss) on ordinary activities	6	13,870	(190)
<b>Profit/(loss) for the financial Period/year</b>	15	15,853	(293)

The above results derive from assets held by the company during the period and were transferred to Island Gas Limited on 19 December 2011

### Statement of total recognised gains and losses for the fifteen months ended 31 March 2012

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of £15,583,000 for the fifteen months ended 31 March 2012 (2010 – loss £293,000)

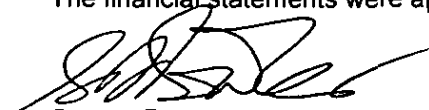


# IGas Exploration UK Limited

## Balance sheet at 31 March 2012

	Note	31 March 2012 £'000	31 December 2010 £'000
<b>Fixed assets</b>			
Investments	7	-	1
Intangible assets	8	-	28,113
		-	28,114
<b>Current assets</b>			
Stocks	9	-	267
Debtors - due within 1 year	10	-	34,373
- due after 1 year	10	29,478	-
		29,478	34,640
<b>Creditors: amounts falling due within one year</b>	11	-	(51,304)
<b>Net current assets/(liabilities)</b>		29,478	(16,664)
<b>Total assets less current liabilities</b>		29,478	11,450
<b>Deferred tax liabilities</b>	6	-	(13,870)
<b>Provisions for liabilities and charges</b>	12	-	(749)
<b>Net assets/(liabilities)</b>		29,478	(3,169)
<b>Capital and reserves</b>			
Called up share capital	13	17,688	894
Profit and loss account	14	11,790	(4,063)
<b>Shareholder's surplus/(deficit)</b>	15	29,478	(3,169)

The financial statements were approved by the Board of Directors and authorised for issue on 20 March 2013

  
Steven Bowler  
Director

The notes on pages 8 to 17 form part of these financial statements

# IGas Exploration UK Limited

## Notes forming part of the financial statements for the fifteen months ended 31 March 2012

### 1 ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the current fifteen month period and preceding year, is set out below

#### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The company's financial statements fall within the scope of the UK Oil Industry Accounting Committee's Statement of Recommended Practice (SORP), "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" and have been prepared in accordance with provisions thereof

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the interim financial statements of IGas for the 6 months ended 30 September 2012, approved on 19 December 2012, which were prepared on a going concern basis

Under *Financial Reporting Standard (FRS)1 Cash flow statements*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the United Kingdom, the company has taken advantage of the exemption contained in *FRS 8 Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGas Energy plc and Star Energy Oil & Gas Limited belong. The consolidated financial statements of IGas Energy plc, within which this company is included, can be obtained from the registered office

#### (b) Taxation

Current Corporation Tax is provided on the basis of amounts to be paid or recovered using tax rates and laws that have been enacted or substantially enacted at the balance sheet date

Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date. Deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Amounts related to deferred taxation are undiscounted

#### (c) Joint ventures

Exploration activities are conducted as co-licensee in joint ventures with other companies. The financial statements reflect the relevant proportions of capital and operating expenditures applicable to the company's interests

#### (d) Intangible fixed assets and oil and gas property related tangible fixed assets

Expenditures on pre-licence, licence acquisition, exploration and appraisal activities are initially capitalised as intangible fixed assets until the discovery or otherwise of commercial reserves has been established and development consent is received. The recoverability of such intangible assets is dependent on future

successful drilling results and successful development of commercial reserves Intangible assets are held undepreciated, but are reviewed annually for impairment

Where it is determined that no commercial reserves exist, in the absence of a producing pool, the related intangible assets are written off to the profit and loss account as exploration expenses

**(e) Stocks**

Stock are recorded at the lower of cost and net realisable value

**(f) Foreign currencies**

Transactions denominated in currencies other than pounds sterling are translated into sterling at the rates of exchange prevailing at the dates of the transactions Monetary assets and liabilities denominated in such currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date All exchange differences arising are taken to the profit and loss account for the year

**(g) Abandonment and decommissioning**

Provision is made for the present value of the future cost of abandonment of exploration wells where additional work is required for their abandonment The estimated costs, based upon engineering cost levels estimated as at the balance sheet date, are computed on the basis of the latest assumptions as to the scope and method of abandonment and are recorded on a discounted basis The corresponding amount is capitalised as part of tangible assets The unwinding of the discount applied to the abandonment provision is treated as a component of the interest charge

**(h) Investments**

Fixed asset investments are shown at cost less provision for impairment

# IGas Exploration UK Limited

Notes forming part of the financial statements  
for the fifteen months ended 31 March 2012 (*Continued*)

## 2 Remuneration of directors and employees

No remuneration has been paid to either current or former directors in respect of services to IGas Exploration UK Limited (2010 - £Nil). The total remuneration paid to current group directors is disclosed in the IGas Energy Plc financial statements

## 3 Operating profit

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Operating profit is stated after charging		
Auditors' remuneration	-	-
Profit on sale of assets (note 16)	1,566	-

In 2012 the audit fees for the Company of £5,000 (2010 £10,000) were paid by the Parent Company IGas Energy Plc

## 4 Interest receivable and similar income

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Foreign exchange gains	428	-
	428	-

## 5 Interest payable and similar charges

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Foreign exchange losses	-	(349)
Unwinding of discount on decommissioning provision	(8)	(28)
	(8)	(377)

No interest was capitalised during the year

# IGas Exploration UK Limited

Notes forming part of the financial statements  
for the fifteen months ended 31 March 2012 (*Continued*)

## 6 Taxation on profit from ordinary activities

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
<i>UK corporation tax</i>		
Current charge at tax rate of 62% (2011 – 50 26%)	-	761
Adjustment in respect of prior years	-	(3)
Supplementary corporation tax	-	508
Adjustments in respect of previous years supplementary corporation tax	-	(2)
	-	1,264
<i>Deferred tax</i>		
Reversal of timing differences	13,870	(1,454)
Adjustment in respect of prior years	-	-
	13,870	(1,454)
Tax credit/(charge) on loss on ordinary activities	13,870	(190)

# IGas Exploration UK Limited

## Notes forming part of the financial statements for the fifteen months ended 31 March 2012 (Continued)

### 6 Taxation on profit from ordinary activities (Continued)

#### Factors affecting the current tax charge for the current period

The tax assessed for the period is different from the weighted average rate of corporation tax in the UK. The differences are explained below.

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Profit/(loss) on ordinary activities before tax	1,983	(103)
Profit/ (loss) on ordinary activities at the weighted average rate of corporation tax in the UK of 62% (2010 – 50.26%)	1,229	(52)
Effects of		
Expenses not deductible for tax purposes	(971)	-
Capital allowances in excess/(less) of depreciation	(555)	(1,232)
Temporary Differences	-	15
Losses utilised/(generated)	297	-
Adjustments in respect of previous year	-	5
Total current tax credit/(charge)	-	(1,264)

Deferred tax assets have been recognised in respect of all such tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered. The company has total tax losses carried forward of £Nil (2011 – £13.8 million) on which no deferred tax is recognised. No deferred tax asset is recognised in respect of these losses carried forward to future periods due to the uncertainty of the timing of future taxable profits. This may affect future tax charges should the company produce sufficient taxable trading profits in future periods.

# IGas Exploration UK Limited

Notes forming part of the financial statements  
for the fifteen months ended 31 March 2012 (*Continued*)

## 6 Taxation on profit/(loss) from ordinary activities (*Continued*)

### Deferred tax liability

	Year ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
At beginning of the period	(13,870)	(12,416)
Adjustment in respect of prior year	-	(241)
Profit and loss credit for the period	13,870	-
Accelerated capital allowances	-	(1,213)
At end of the period	-	(13,870)

	Year ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
The deferred tax liability is comprised of		
Accelerated capital allowances	-	(8,467)
Trade losses utilised	-	-
Prior year adjustments	-	145
Tax losses not recognised	-	-
The deferred supplementary charge is comprised of		
Accelerated capital allowances	-	(5,644)
Prior year adjustments	-	96
	-	(13,870)

## 7 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2011	1
Disposals	(1)
At 31 March 2012	-

The Company disposed of its subsidiary Nexen Oil and Gas UK Developments LP to Nexen Petroleum U K Limited, for a consideration of £1, making a nil gain on disposal

# IGas Exploration UK Limited

Notes forming part of the financial statements  
for the fifteen months ended 31 March 2012 (*Continued*)

## 8 Intangible fixed assets

	Exploration expenditure £'000
<i>Cost</i>	
At 1 January 2011	28,113
Additions	1,975
Disposals	(30,088)
<i>Net book value</i>	
At 31 March 2012	-
At 31 December 2010	28,113

See Note 16 for a description of the disposal

## 9 Stock

	31 March 2012 £'000	31 December 2010 £'000
Raw materials and consumables	-	267

There is no material difference between the replacement cost of stocks and the amount stated above

## 10 Debtors

	31 March 2012 £'000	31 December 2010 £'000
Amounts due more than one year		
Amounts owed by affiliates	29,478	-
	29,478	-
Amounts due within one year		
Amounts owed by affiliates	-	34,342
VAT recoverable	-	16
Other debtors	-	14
Accrued income	-	1
	-	34,373



# IGas Exploration UK Limited

Notes forming part of the financial statements  
for the fifteen months ended 31 March 2012 (*Continued*)

## 11 Creditors' amounts falling due within one year

	31 March 2012 £'000	31 December 2010 £'000
Trade creditors	-	(252)
Amounts owed to affiliates	-	(50,964)
Accruals	-	(88)
	-	(51,304)

## 12 Provisions for liabilities

	2012 Decommissioning £'000	Total £'000	2010 Decommissioning £'000	Total £'000
At the beginning of the period/year	749	749	724	724
Unwinding of the discount	-	-	28	28
Changes to the estimate of provisions	(606)	(606)	-	-
Utilisation of provision	-	-	(3)	(3)
Disposal	(143)	(143)	-	-
	<u>-</u>	<u>-</u>	<u>749</u>	<u>749</u>
At the end of the period/year	-	-	749	749

Provision has been made for the discounted future cost of restoring producing fields to a condition acceptable to the relevant authorities

## 13 Called up share capital

	31 March 2012 Number	31 December 2010 number	31 March 2012 £	31 December 2010 £
<i>Authorised</i>				
Ordinary shares of £1 each	17,687,562	10,000,000	17,687,562	10,000,000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	17,687,562	894,060	17,687,562	894,060

# IGas Exploration UK Limited

Notes forming part of the financial statements  
for the fifteen months ended 31 March 2012 (*Continued*)

## 14 Reserves

	Share Capital £'000	Profit & loss account £'000	Total £'000
At beginning of the period	894	(4,063)	(3,169)
Issued share capital during the period	16,794	-	16,794
Retained profit for the period	-	15,853	15,853
At the end of the period	17,688	11,790	29,478

## 15 Reconciliation of movements in shareholders' funds

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Issued share capital	16,794	-
Profit for the financial period	15,853	(293)
Net increase to shareholder's funds	32,646	(293)
Opening shareholder's (deficit)	(3,169)	(2,876)
Closing shareholder's surplus/(deficit)	29,478	(3,169)

## 16 Disposal

On the 19 December 2011, the assets and liabilities along with the related trade of IGas Exploration UK Limited were sold to Island Gas Limited (IGL) for consideration of £29.9 million in the form of a loan from IGL. The company made a profit of £1,566,000.

Assets and liabilities other than intangible exploration & evaluation assets were sold at book value.

# **IGas Exploration UK Limited**

**Notes forming part of the financial statements  
for the fifteen months ended 31 March 2012 (Continued)**

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## **17 Capital commitments**

There are no capital commitments at the end of the period (2010 - £Nil) for which no provision has been made

## **18 Immediate parent company and ultimate controlling party**

The Company's immediate parent undertaking is IGas Energy plc. In the Director's opinion the Company's ultimate parent undertaking and controlling party is IGas Energy plc, which is incorporated in England and Wales. Copies of IGas Energy plc's group financial statements, which include the Company, are available from Interpark House, 7 Down Street, London, W17 7AJ.

## **19 Post balance sheet events**

There were no post balance sheet events which materially affect the financial statements