

IGas Exploration UK Limited

Report and Financial Statements

Year Ended

31 March 2013

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IGas Exploration UK Limited

**Report and financial statements
for the year ended 31 March 2013**

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Directors

A Austin
J Blaymires
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 year months ended 31 March 2013

The directors present their report together with the audited financial statements for the year ended 31 March 2013. The accounting periods are not comparable with the 15 month prior period as this 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 6.

The company made a profit for the year of £3,532,000 (2012 – profit of £15,853,000). No dividend was paid or proposed during the year (2012 - £Nil). The retained profit is transferred to reserves giving an accumulated surplus carried forward at 31 March 2013 of £33,010,000 (2012 – £29,478,000).

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 financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Principal activity, trading review and future developments

Following the transfer of all its operational activities on 19 December 2011, the only activity was in relation to a loan to an affiliate.

The company is consolidated in the Annual Report and Accounts of IGas Energy PLC ('the Parent') for the year ended 31 March 2013.

Principal risks, uncertainties and KPIs

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. Due to the fact that the Company's principal activity is to hold an interest-bearing loan receivable from an affiliate, the risks and uncertainties which pertain to the Company include credit risk related to that affiliate and interest rate risk.

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 (2012 - £ Nil).

IGas Exploration UK Limited

Report of the directors for the year ended 31 March 2013 (Continued)

Directors

The directors of the company during the year were

A Austin
J Blaymires
S Bowler

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

IGas Exploration UK Limited

Report of the directors for the year ended 31 March 2013 (*Continued*)

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

5 September 2013

IGas Exploration UK Limited

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

We have audited the financial statements of IGas Exploration UK Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 16. 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 2013 and of its profit for the year 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 (*continued*)

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
5 September 2013

IGas Exploration UK Limited

Profit and loss account for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £'000	15 months Ended 31 March 2012 £'000
Administrative Expenses		-	(3)
Profit on sale of assets	13	-	1,566
Operating profit	3	-	1,563
Interest receivable and similar income	4	3,532	428
Interest payable and similar charges	5	-	(8)
Profit on ordinary activities before taxation		3,532	1,983
Tax credit on profit on ordinary activities	6		13,870
Profit for the financial year/period	12	3,532	15,853

The notes on pages 8 to 16 form part of these financial statements

Statement of total recognised gains and losses for the year ended 31 March 2013

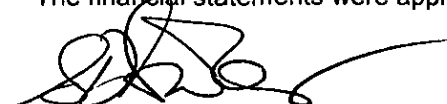
There are no recognised gains or losses attributable to the shareholders of the company other than the profit of £3,532,000 for the year ended 31 March 2013 (2012 – £15,583,000)

IGas Exploration UK Limited

Balance sheet at 31 March 2013

	Note	31 March 2013		31 March 2012	
		£'000	£'000	£'000	£'000
Current assets					
Debtors - due after 1 year	7	33,029		29,478	
			33,029		29,478
Creditors amounts falling due within one year	8	(19)		-	
Net current assets			33,010		29,478
Total assets less current liabilities			33,010		29,478
Deferred tax liabilities	6		-		-
Provisions for liabilities and charges	9		-		-
Net assets			33,010		29,478
Capital and reserves					
Called up share capital	10	17,688		17,688	
Profit and loss account	11	15,322		11,790	
Shareholder's surplus	12		33,010		29,478

The financial statements were approved by the Board of Directors and authorised for issue on 5 September 2013


Stephen Bowler
Director

The notes on pages 8 to 16 form part of these financial statements

IGas Exploration UK Limited

Notes forming part of the financial statements for the year ended 31 March 2013

1 ACCOUNTING POLICIES

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

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

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 financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis

(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

IGas Exploration UK Limited
Notes forming part of the financial statements
for the year ended 31 March 2013 (*Continued*)

1. ACCOUNTING POLICIES

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

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.

IGas Exploration UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (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 (2012 - £Nil) The total remuneration paid to current group directors is disclosed in the IGas Energy Plc financial statements

3 Operating profit

	Year ended 31 March 2013 £'000	15 months ended 31 March 2012 £'000
Operating profit is stated after charging		
Auditors' remuneration	-	-
Profit on sale of assets (note 13)	-	1,566

In 2012-13 the audit fees for the Company of £5,000 (2012 £5,000) were paid by the Parent Company IGas Energy Plc

4 Interest receivable and similar income

	Year ended 31 March 2013 £'000	15 month ended 31 March 2012 £'000
Foreign exchange gains	-	428
Intercompany interest	3,532	-
	3,532	428

5 Interest payable and similar charges

	Year ended 31 March 2013 £'000	15 month ended 31 March 2012 £'000
Unwinding of discount on decommissioning provision	-	(8)
	-	(8)

No interest was capitalised during the year

IGas Exploration UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*Continued*)

6 Taxation on profit from ordinary activities

	Year ended 31 March 2013 £'000	15 months Ended 31 March 2012 £'000
<i>UK corporation tax</i>		
Current charge at tax rate of 24% (2012 – 62%)	-	-
Adjustment in respect of prior years	-	-
Supplementary corporation tax	-	-
Adjustments in respect of previous years supplementary corporation tax	-	-
	-	-
<i>Deferred tax</i>		
Reversal of timing differences	-	13,870
Adjustment in respect of prior years	-	-
	-	13,870
Tax credit on loss on ordinary activities	-	13,870

IGas Exploration UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*Continued*)

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

Factors affecting the current tax charge for the current period

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

	Year ended 31 March 2013 £'000	15 months ended 31 March 2012 £'000
Profit on ordinary activities before tax	3,532	1,983
Profit on ordinary activities at the weighted average rate of corporation tax in the UK of 24% (2012 – 62%)	848	1,229
Effects of		
Expenses not deductible for tax purposes	-	(971)
Capital allowances less than depreciation	-	(555)
Losses utilised	-	297
Group relief used	(848)	-
Total current tax charge	-	-

Factors that may affect future tax charges

The future tax charge is likely to be dependent on the generation of profits from intercompany loans with another group company

IGas Exploration UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 *(Continued)*

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

Deferred tax liability

	Year ended 31 March 2013 £'000	15 months ended 31 March 2012 £'000
At beginning of the year/period	-	(13,870)
Profit and loss credit for the year/period	-	13,870
At end of the period	-	-

7 Debtors

	31 March 2013 £'000	31 March 2012 £'000
Amounts due more than one year		
Amounts owed by affiliates	33,029	29,478
	33,029	29,478

IGas Exploration UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*Continued*)

8 Creditors amounts falling due within one year

	31 March 2013 £'000	31 March 2012 £'000
Amounts owed to affiliates	(19)	-
	(19)	-

9 Provisions for liabilities

	2013 Decommissioning £'000	Total £'000	2012 Decommissioning £'000	Total £'000
At the beginning of the year/period	-	-	749	749
Unwinding of the discount	-	-	-	-
Changes to the estimate of provisions	-	-	(606)	(606)
Disposal	-	-	(143)	(143)
At the end of the year/period	-	-	-	-

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

10 Called up share capital

	31 March 2013 Number	31 March 2012 Number	31 March 2013 £	31 March 2012 £
<i>Authorised</i>				
Ordinary shares of £1 each	17,687,562	17,687,562	17,687,562	17,687,562
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	17,687,562	17,687,562	17,687,562	17,687,562

IGas Exploration UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*Continued*)

11 Reserves

	Share Capital £'000	Profit & loss account £'000	Total £'000
At beginning of the year	17,688	11,790	29,478
Retained profit for the year	-	3,532	3,532
At the end of the year	17,688	15,322	33,010

12 Reconciliation of movements in shareholders' funds

	Year ended 31 March 2013 £'000	15 months ended 31 March 2012 £'000
Issued share capital	-	16,794
Profit for the financial year/period	3,532	15,853
Net increase to shareholder's funds	3,532	32,646
Opening shareholder's surplus/(deficit)	29,478	(3,169)
Closing shareholder's surplus	33,010	29,478

13 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 year ended 31 March 2013 (*Continued*)**

14 Capital commitments

There are no capital commitments at the end of the period (2012 - £Nil) for which no provision has been made

15 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.

16 Post balance sheet events

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