

IGas Exploration UK Limited
Report and Financial Statements
for the year ended 31 March 2014

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COMPANIES HOUSE

Company information

Parent company IGas Energy plc

Directors J M Blaymires
 S D Bowler

Company secretary S S White

Registered number 04323945

Registered office 7 Down Street
 London
 W1J 7AJ

Auditors Ernst & Young LLP
 1 More London
 London
 SE1 2AF

Bankers Barclays Bank Plc
 1 Churchill Place
 London
 E14 5HP

Copies of Reports and Financial Statements

Further copies of this Report and Financial Statements can be obtained from IGas Exploration's Registered Office.

Directors' report

Registered number: 04323945

The Directors present their report for the year ended 31 March 2014.

Directors of the Company

The current Directors are shown on Page 1. On 20 May 2015, A Austin resigned as a director of the Company.

Directors' liabilities

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate directors and officers insurance to indemnify the directors and officers against liability in respect of proceedings brought by third parties. Such provision remains in force at the date of this report.

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or officers of any Group company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006. The nature and extent of the indemnities is as described in Section 51 of the Company's Articles of Association as adopted on 12 March 2013. These provisions remained in force throughout the year and remain in place at the date of this report.

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 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. In addition, the Directors considered the going concern assessment prepared in respect of the unaudited preliminary announcement of the IGas Energy Plc Group's (the "Group") results dated 26 June 2015, which included disclosure of the following information in respect of the Group's ability to continue as a going concern.

The Group's principal activity and principal risks and uncertainties are set out in the preliminary announcement dated 26 June 2015. The ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its Bonds, which in turn is dependent on the Group not breaching covenants.

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

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

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

Directors' report (continued)

Registered number: 04323945

Going concern (continued)

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

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

The Directors consider that the expected operating cash flows of the Group combined with the current Bonds give them confidence that the Group has adequate resources to continue as a going concern. As such, the Directors consider it appropriate for the Company to rely on the financial support of the Parent Company in respect of meeting its commitments in the foreseeable future.

Auditors

A resolution to reappoint Ernst & Young LLP as auditor to the Company will be proposed at the Annual General Meeting.

Directors' statement as to disclosure of information to the auditors

The Directors who were members of the board at the time of approving the Directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

This report has been prepared in accordance with the small companies exemption.

By order of the board



S S White
Secretary
6 July 2015

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 for that period.

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 UK 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 they consider that to be inappropriate.

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 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.

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 year ended 31 March 2014 which comprise the Income Statement, the Statement of Comprehensive Income, Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 13. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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, 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year 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

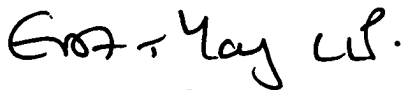
In our opinion, the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's report to the members 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report and take advantage of the small companies' exemption in preparing the Directors' Report.



Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
6 July 2015

Income statement

For the year ended 31 March 2014

		2014	(Restated) 2013
	Notes	£000	£000
Interest receivable and similar income	7	3,527	3,567
Profit on ordinary activities before taxation		3,527	3,567
Tax expense	8	-	-
Profit for the year		3,527	3,567

Statement of comprehensive income

For the year ended 31 March 2014

	2014	(Restated) 2013
	£000	£000
Profit for the year	3,527	3,567
Other comprehensive income for the year	-	-
Total comprehensive income for the year	3,527	3,567


All amounts relate to continuing activities.

Balance sheet

At 31 March 2014

			(Restated) 2013 £000	(Restated) 1 April 2012 (Note 3) £000
	Notes	2014 £000		
Current assets				
Debtors – Amounts falling due after 1 year	9	36,572	33,064	29,478
		36,572	33,064	29,478
Creditors: amounts falling due within one year	10	-	(19)	-
Net current assets		36,572	33,045	29,478
Total assets less current liabilities		36,572	33,045	29,478
Net assets		36,572	33,045	29,478
Capital and reserves				
Called up share capital	11	-	17,688	17,688
Retained earnings		36,572	15,357	11,790
Total capital and reserves		36,572	33,045	29,478

These financial statements were approved and authorised for issue by the Board on 6 July 2015 and are signed on its behalf by:



S D Bowler
Director

Statement of changes in equity

For the year ended 31 March 2014

	Called up share capital (note 11) £000	Retained earnings £000	Total £000
At 1 April 2012 (restated)	17,688	11,790	29,478
Total comprehensive income for the year (restated)	-	3,567	3,567
At 31 March 2013 (restated)	17,688	15,357	33,045
Total comprehensive income for the year	-	3,527	3,527
Share capital reduction	(17,688)	17,688	-
At 31 March 2014	-	36,572	36,572

Notes to the financial statements

For the year ended 31 March 2014

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of IGas Exploration UK Limited (the "Company") for the year ended 31 March 2014 were approved by the board and authorised for issue on 6 July 2015 and the Balance Sheet was signed on the Board's behalf by S Bowler. IGas Exploration UK Limited is incorporated and domiciled in England and Wales.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The results of the Company are included in the consolidated financial statements of IGas Energy plc which are available from its registered address at 7 Down Street London W1J 7AJ.

The principal accounting policies adopted by the Company are set out in Note 2.

2. Accounting policies

2.1. Basis of preparation

The Company transitioned from UK GAAP to FRS 101 for all periods presented.

For all periods up to and including the year ended 31 March 2013, the Company prepared its financial statements in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP). These financial statements for the year ended 31 March 2014 are the first the Group has prepared in accordance with FRS 101. Refer to Note 3 for information on how the Company adopted FRS 101.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2014.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*,
- the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*; and
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

2.2. Changes in accounting policy and disclosures

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 April 2013 unless otherwise stated and the impact of adoption is described below. There are no other changes to IFRS effective in 2013/14 which have a material impact on IGas Exploration UK Limited.

- Amendment to IAS 1 *Financial Statement Presentation* – This amendment changes the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit and loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items which will never be reclassified. The amendment affects presentation only and therefore has no impact on the Company's financial position or performance.
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Changes in accounting policy and disclosures (continued)

- IFRS 7 Financial Instruments: Disclosures. The amendment to IFRS 7 on offsetting of financial instruments is intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The Company has considered the effect of this amendment and has concluded that there has not been a material impact on the financial statements.
- IFRS 13 Fair Value Measurement – IFRS13 defines fair value, setting out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new standard also requires new disclosures to assist users to understand the valuation techniques and inputs used to develop fair value measurement and the effect of fair value measurement on profit and loss. The Company has concluded that there has not been a material impact on the measurement of assets and liabilities.

New standards, interpretations and amendments not yet effective

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory only for the Company's accounting periods beginning on or after 1 April 2014 or later periods and which the Company has not adopted early. Those that may be applicable to the Company in future are as follows:

- IAS 32 Financial Instruments: Presentation – Offsetting financial assets and financial liabilities (1 January 2014)
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 (1 January 2014)

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

2.3. Judgements and key sources of estimation uncertainty

There are no significant judgements requiring to be made in applying the Company's accounting policies.

2.4. Significant accounting policies

(a) Financial instruments

Trade and other debtors

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

Trade and other creditors

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

Impairment of financial assets

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

(b) Taxation

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

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

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

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

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

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

(c) Equity

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

3. First-time adoption of FRS 101

These financial statements, for the year ended 31 March 2014, are the first the Company has prepared in accordance with FRS 101. For periods up to and including the year ended 31 March 2013, the Company prepared its financial statements in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP).

Accordingly, the Company has prepared financial statements which comply with the requirements of FRS 101 applicable for periods ending on or after 31 March 2014, together with the comparative period data as at and for the year ended 31 March 2013, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 April 2012, the Company's date of transition to FRS 101. This note explains the principal adjustments made by the Company in restating its UK GAAP financial statements, including the statement of financial position as at 1 April 2012 and the financial statements as at and for the year ended 31 March 2013.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 *'First time adoption of International Financial Reporting Standards'*.

Estimates

The estimates at 1 April 2012 and at 31 March 2013 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies). The estimates used by the Company to present these amounts in accordance with FRS 101 reflect conditions at 1 April 2012, the date of transition and as of 31 March 2013.

First-time adoption of FRS 101 (continued)

Transition adjustments

There are no differences between the Company's total equity reported in accordance with UK GAAP and its total equity in accordance with FRS 101 as at 1 April 2012 (date of transition).

As at 31 March 2013, total equity increased by £35,000 (decreasing finance costs recognised in the income statement by the same amount) reflecting differences in the measurement of variable-rate intercompany loans under UK GAAP and FRS 101. Under UK GAAP, finance cost was charged at the rate which was in force for the period. Under FRS 101, finance cost is calculated using the effective interest rate with reference to the expected rates for the entire period of the loan.

There were no other material changes to equity, comprehensive income or the statement of cash flows.

4. Auditor remuneration

The audit fees for the Company of £2,000 (2013: £5,000) were paid by the Parent Company IGas Energy plc and have not been recharged to the Company.

5. Staff costs

The Company does not have any employees (2013: none).

6. Directors' remuneration

No Directors serving at the balance sheet date or during the year ended 31 March 2014 have been paid any emoluments by the Company as they are employed by IGas Energy plc (2013: £Nil).

No management charge has been made by IGas Energy plc. It is not considered possible to determine the level of remuneration that could be recharged.

Details of emoluments paid to Directors for services to the Company are detailed in the IGas Energy plc Annual Report and Accounts available on the parent company's website at www.igasplc.com.

7. Interest receivable and similar income

	2014	2013
	£000	£000
Interest income from amounts owed by affiliates	3,527	3,567

8. Taxation

Income tax expense recognised in the income statement

	2014	2013
	£000	£000
Current tax		
Current income tax for the period	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	-	-
Income tax expense	-	-

Taxation (continued)

Factors affecting the tax charge

The tax assessed for the year does not reflect a credit equivalent to the loss on ordinary activities multiplied by the rate of corporation tax and supplementary charge for ring-fenced businesses in the United Kingdom of 23% (2013: 24%). A reconciliation of the UK statutory corporation tax rate applicable to the Company's loss before tax to the Company's total tax credit is as follows:

	2014	2013
	£000	£000
Profit on ordinary activities before tax	3,527	3,567
Expected tax charge based on profit on ordinary activities multiplied by the rate of corporation tax and in the UK 23% (2013: 24%)	811	856
Company relief claimed for nil consideration	(811)	(856)
Income tax expense	-	-

Tax Losses

The Company has further tax losses of £nil (2013: £nil) on which no deferred tax is recognised due to insufficient certainty regarding the availability of future profits on its non-ring fence trade.

9. Debtors

	2014	2013	
	£000	(Restated)	2012
		£000	£000
Amounts owed by affiliates	36,572	33,064	29,478
Total debtors	36,572	33,064	29,478

Amounts falling due after one year included in the table above are:

	2014	2013	
	£000	(Restated)	2012
		£000	£000
Amounts owed by affiliates	36,572	33,064	29,478
Total debtors falling due after one year	36,572	33,064	29,478

10. Creditors: amounts falling due within one year

	2014	2013	2012
	£000	£000	£000
Amounts owed to affiliates	-	19	-
Total creditors falling due within one year	-	19	-

11. Authorised, issued and called-up share capital

	Par value p/share	2014 shares	2013 shares	2014 £000	2013 £000
Authorised share capital	£1	17,687,562	17,687,562	17,688	17,688
Allotted, called up and fully paid					
1 April	£1	17,687,562	17,687,562	17,688	17,688
Share capital reduction	-	(17,687,561)	-	(17,688)	-
31 March	£1	1	17,687,562	-	17,688

The ordinary shares confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association.

The ordinary shares also confer the right to receive dividends.

12. Subsequent events

There have been no material events since the 31 March 2014 to the date of authorisation of these financial statements which would require disclosure.

13. Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking is IGas Energy plc. The Company is included within these Company accounts which are publicly available.