

**IGas Exploration UK Limited**  
Report and Financial Statements  
for the year ended 31 March 2015

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## **Company information**

**Parent company**                      IGas Energy plc

**Directors**                              J M Blaymires  
   S D Bowler  
   J L Tedder

**Company secretary**                S S White

**Registered number**                04323945

**Registered office**                   7 Down Street  
    London  
    W1J 7AJ

**Auditors**                               Ernst & Young LLP  
    1 More London Place  
    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 2015.

### 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. On 13 October 2015 J Tedder was appointed as a director.

### 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 condensed financial statements of IGas for the interim period ended 30 September 2015, approved on 24 November 2015, which included disclosure of the following information in respect of the Group's ability to continue as a going concern:

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. In light of the continuing weakness in oil and gas prices, during the six months to 30 September 2015 the Board implemented a series of cost saving initiatives that have materially reduced both operating costs and G&A spend. In addition, following positive discussions with the bondholders, the net leverage covenant has been amended to take account of the Group's improved cash position following the INEOS farm-out which was completed during the period.

Whilst the Group has delivered on the above initiatives and has significant available cash balances, on the basis of the Group's current forecasts in this low and uncertain oil price environment the Group could be non-compliant with certain of its covenants in the first half of 2016. In order to continue to meet the covenants, the Board has approved and is implementing a number of available actions. These actions include, but are not limited to, further significant cost reduction, bond buy-backs, further hedging activities and asset portfolio management. The Board continues to engage proactively with bondholders.

The Board believes, on the information currently available, that the actions described above can be delivered to ensure that the Group is compliant with its covenants and it is therefore considered appropriate to adopt the going concern basis in preparing the financial statements.

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.

## Directors' report (continued)

### 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  
1 December 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 2015 which comprise the Income Statement, the Statement of Comprehensive Income, Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 11. 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 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. 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 2015 and of its result 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.

*Ernst & Young LLP*

Andrew Smyth (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
1 December 2015

# Income statement For the year ended 31 March 2015

	Notes	2015 £000	2014 £000
Interest receivable and similar income	6	-	3,527
<b>Profit on ordinary activities before taxation</b>		-	<b>3,527</b>
Tax expense	7	-	-
<b>Profit for the year</b>		-	<b>3,527</b>

## Statement of comprehensive income For the year ended 31 March 2015

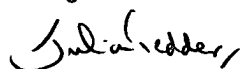
	2015 £000	2014 £000
Profit for the year	-	3,527
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	-	<b>3,527</b>

# Balance sheet

## At 31 March 2015

	Notes	2015 £000	2014 £000
<b>Current assets</b>			
<b>Debtors</b>	<b>8</b>		
Amounts falling due within one year		36,572	-
Amounts falling due after one year		-	36,572
		<u>36,572</u>	<u>36,572</u>
<b>Creditors: amounts falling due within one year</b>		<u>-</u>	<u>-</u>
<b>Net current assets</b>		<u>36,572</u>	<u>36,572</u>
<b>Total assets less current liabilities</b>		<u>36,572</u>	<u>36,572</u>
<b>Net assets</b>		<u>36,572</u>	<u>36,572</u>
<b>Capital and reserves</b>			
Called up share capital	<b>9</b>	-	-
Retained earnings		36,572	36,572
<b>Total capital and reserves</b>		<u>36,572</u>	<u>36,572</u>

These financial statements were approved and authorised for issue by the Board on 1 December 2015 and are signed on its behalf by:



J L Tedder  
Director

# Statement of changes in equity

## For the year ended 31 March 2015

	Called up share capital (note 9) £000	Retained earnings £000	Total £000
<b>At 1 April 2013</b>	17,688	15,357	33,045
Total comprehensive income for the year	-	3,527	3,527
Share capital reduction	(17,688)	17,688	-
<b>At 31 March 2014</b>	-	<b>36,572</b>	<b>36,572</b>
Total comprehensive income for the year	-	-	-
<b>At 31 March 2015</b>	-	<b>36,572</b>	<b>36,572</b>

## Notes to the financial statements

### For the year ended 31 March 2015

#### 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 2015 were approved by the board and authorised for issue on 1 December 2015 and the Balance Sheet was signed on the Board's behalf by J Tedder. 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 accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2015.

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

- 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

During the year, the Company adopted no new and amended IFRSs and IFRIC interpretations, which were mandatory as of 1 April 2014, as these were not relevant to the Company's activities.

##### 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 2015 or later periods and which the Company has not adopted early. Those that may be applicable to the Company in future are as follows:

- IFRS 9 – Financial Instruments (2014)

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. 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.

**IGas Exploration UK Limited**  
**Notes to the financial statements (continued)**

**3. Auditor remuneration**

The audit fees for the Company of £2,000 (2014: £2,000) were paid by the Parent Company IGas Energy plc and have not been recharged to the Company.

**4. Staff costs**

The Company does not have any employees (2014: none).

**5. Directors' remuneration**

No Directors serving at the balance sheet date or during the year ended 31 March 2015 have been paid any emoluments by the Company as they are employed by IGas Energy plc (2014: £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 in respect of the qualifying services rendered by the Directors of the Company.

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](http://www.igasplc.com).

**6. Interest receivable and similar income**

	2015 £000	2014 £000
Interest income from amounts owed by affiliates	-	3,527

**7. Taxation**

**Income tax expense recognised in the income statement**

	2015 £000	2014 £000
<b>Current tax</b>		
Current income tax for the period	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of temporary differences	-	-
<b>Income tax expense</b>	-	-

**Factors affecting the tax charge**

The tax assessed for the prior year does not reflect a credit equivalent to the loss on ordinary activities multiplied by the rate of corporation tax in the United Kingdom of 21% (2014: 23%). 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:

	2015 £000	2014 £000
Profit on ordinary activities before tax	-	3,527
Expected tax charge based on profit on ordinary activities multiplied by the rate of corporation tax in the UK of 21% (2014: 20%)	-	811
Company relief claimed for nil consideration	-	(811)
<b>Income tax expense</b>	-	-

**Tax Losses**

The Company has tax losses of £nil (2014: £nil) on which no deferred tax is recognised.

**8. Debtors**

	2015 £000	2014 £000
Amounts owed by affiliates	36,572	-
<b>Total debtors falling due within one year</b>	<b>36,572</b>	<b>-</b>

Amounts falling due after one year are as follows:

	2015 £000	2014 £000
Amounts owed by affiliates	-	36,572
<b>Total debtors falling due after one year</b>	<b>-</b>	<b>36,572</b>

The loan between the Company and its affiliate was novated to the Company's parent. As such, the amount owed by affiliates is now repayable on demand and is therefore classified as being due within one year.

**9. Authorised, issued and called-up share capital**

	Par value p/share	2015 shares	2014 shares	2015 £000	2014 £000
<b>Authorised share capital</b>	<b>£1</b>	<b>1</b>	<b>17,687,562</b>	<b>-</b>	<b>17,688</b>
<b>Allotted, called up and fully paid</b>					
1 April	£1	1	17,687,562	-	17,688
Share capital reduction	-	-	(17,687,561)	-	(17,688)
<b>31 March</b>	<b>£1</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>

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.

**10. Subsequent events**

There have been no material events since the 31 March 2015 to the date of authorisation of these financial statements which would require disclosure.

**11. Ultimate parent undertaking**

The Company's immediate and ultimate parent undertaking is IGas Energy plc. The Company is included within the consolidated accounts of this company which are publicly available.