

Registered number: 05351398

Cap Energy Plc

Annual Report for the year ended 31 December 2013

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Highlights

- 2 block interests acquired off Guinea-Bissau
 - Infill 2D seismic significantly reinforces original value proposition
 - 3D seismic programme expected early Q3 2014
- New acquisition of Senegal offshore block interest
 - 2D seismic survey underway with results due Q4 2014
- Edison Investment Research very positive on Cap's potential

Chairman's statement

2013 was a transformational year for Cap, the Company having acquired interests in two exploration blocks offshore Guinea-Bissau. Building on this, in February 2014, the Company acquired a further interest in a block offshore Senegal.

Under the skilled guidance of Lina Haidar, our CEO, and Pierantonio Tassini, our COO, Cap has also created a pipeline of prospective licence opportunities, with both pure exploration and near-term production being considered.

Share price performance on the ISDX market has been a steady progression – as of the end of April 2014, the 52 week high was 55 pence per share, coming from a 52 week low of 2.5 pence. Although it is gratifying to see such a strong upward movement, we nevertheless believe this significantly undervalues Cap Energy and is a result of both the inherent lack of liquidity on the ISDX market, where we are quoted, as well as the very small free float within the Company. The Board is addressing both these issues and is considering a move to AIM when the timing is right – which could be as early as this year.

We do, however, have extensive seismic programmes to fund across our assets so during 2013 we raised over USD 3 million; and in 2014 we have so far raised USD 1.5 million and expect to announce additional investment shortly. The price our new shareholders have paid recently has approached GBP 1.50 per share reflecting a 50% discount to the Company's internal valuation of over GBP 3 per share, based on the first CPR carried out by GM&P (available on the website). This CPR only reported on the Guinea-Bissau blocks and, furthermore, only used vintage 2D seismic data. A subsequent 2D seismic in-fill survey conducted during the year produced significantly better results and upside potential.

Cap's potential was recently underlined by an independent analyst's report we commissioned from Edison Investment Research, a copy of which is also available on our website. Their assessment of the upside based on our most recent seismic programme is GBP20 per share before bringing in the Senegal interest. The report also highlighted one of the key features of Cap's portfolio that sets it apart from other small exploration players. The partner and operator of our three blocks is a subsidiary of Rex Partners ("Rex") which has access to the proprietary technologies developed and owned by Rex Technology Management. Among these technologies is Rex Virtual Drilling – an analytical tool that claims to increase dramatically the ability to predict the presence, or absence, of hydrocarbons. In blind tests in the North Sea, this technology had a reported 85% success record. In the first real test of the technology – Block 50 offshore the East coast of Oman - Rex's subsidiary found oil with its first completed well. Rex has invested in the three blocks where we are partners because their technology has produced encouraging results from the analysis of existing seismic.

2014 has already started with a significant asset acquisition in Senegal. We expect the rest of the year to be full of interesting and positive news flow. Thank you for your support and patience whilst we grow the Company and put in place a new and exciting future.



Tim Hearley
Chairman

Strategic report for the year ended 31 December 2013

The directors present their strategic report on the Group, for the year ended 31 December 2013.

Financial Results

The Group is in a purely exploration phase and therefore no revenues were generated during the year (2012: £nil).

There was a loss attributable to shareholders of the Company of £624,660 (2012: loss £40,695).

At the end of the year, the Group had cash balances of £880,704 (2012: £95).

Review of the business

Cap has made significant progress in the last 12 months, having acquired interests in three West African exploration blocks. We started building our exploration portfolio in 2013 with a focus on underdeveloped West African assets. By acquiring an 85.7% equity stake in Sphere Petroleum Corporation, we became the owner of a net 24% interest in Block 1, offshore Guinea-Bissau (with a 35% cost interest) and a net 27% interest in Block 5B (also with a 35% cost interest). The region was only lightly explored, with a handful of wells having been drilled in the 25 years up to 1989, but a significant discovery by Premier Oil in 2004 and earlier discoveries to the north (albeit of heavier oil) have indicated a working petroleum system and interest in the region has increased significantly in recent times.

Our partner in and operator of these two blocks is Trace Atlantic, a subsidiary of Rex Partners and, as described in the Chairman's report, they bring to the exploration effort their proprietary technology that has been shown to improve dramatically the ability to predict whether hydrocarbons are present and their technology has given very positive indications for these assets, based on historical seismic data. A new 2D seismic infill survey was conducted in Q1 2013 and the results for 5B were particularly interesting. They would indicate, according to an evaluation by Beicip-Franlab, (a subsidiary of the Institut Francais de Pétrole) potential of 11 billion barrels mean STOIP volumes. On this basis, geologists working for Cap have estimated 5B's recoverable resources to be 2.75 billion barrels, with an upside up to 5.5 billion barrels. The Rex Virtual Drilling analysis carried out on Block 5B gives strong indications of oil presence in many of the leads identified by the seismic survey, which are split between a medium to deep water zone and an ultra-deep water zone.

A 3D seismic survey of the Guinea-Bissau assets is scheduled for Q3 this year.

Our next acquisition was an indirect 44.1% interest in Block Djiffere, offshore Senegal. Sencap, our wholly owned subsidiary, acquired 49% of Trace Atlantic's subsidiary TAOL Senegal (Djiffere), which operates the licence and has a 90% interest (the national oil company is carried for the first part of the exploration.)

The licence covers an area of 4,459 km² and although there are no wells, there were six vintage 2D seismic surveys that were carried out between the 1960s and 1980s which provided sufficient evidence to go into the project. A 35 day, 4,000 km 2D seismic survey was started in the last week of April this year with interpretation due after six months. Again, Trace Atlantic, through their own independent analysis of gravimetric anomalies (using the RexGravity technique), regard this block as having high potential. Also, Senegal has a more favourable tax regime than Guinea-Bissau.

Cairn Energy is drilling in the immediate region at this moment and is due to spud another well in June. Any positive results will almost certainly have a bearing on the potential value of Cap, in fact, the first well is targeting a structure similar to the leads identified in Guinea Bissau Block 5B and the second well has also particular significance as the geology is similar to Block Djiffere – our latest acquisition.

Next steps

We are in advanced assessments over the acquisition of acreage in Ivory Coast, São Tomé, and Nigeria. We are looking very closely at an AIM listing in the near term, both to provide access to larger funding opportunities and to provide the enhanced liquidity that will allow the true value of the business to be reflected in the share price.

Principal Risks and Risk Management


Exploration is an inherently extremely risky business:

- Even the most promising prospects can have failures for many reasons, such as:
 - Hydrocarbons may not be found if there are errors in the underlying geological assumptions or analysis.
 - Hydrocarbons may have been present, but escaped due to unexpected geological events, such as the seal breaking.
 - The reservoir may not flow at commercially viable rates of flow.
 - The drilling may encounter technical problems which make it impossible or too expensive to reach the target.
- The Company may take on commitments for which it then cannot find adequate funding. Although the Company can then potentially sell all or part of its assets:
 - There is no guarantee it can find a buyer.
 - Even if it does find a buyer, the transaction may take too long and the Company's cash resources may become exhausted.
- Operating in Africa is perceived as having high political risks:
 - There are frequent coups and other forms of political unrest.
 - There is a risk of nationalisation of private assets.

The Company's risk mitigation strategies include the following:

- Partnering with subsidiaries of Rex Partners that have access to the Rex Virtual Drilling, a technology that has demonstrated an ability to predict the presence or absence of hydrocarbons.
- The Company will not normally undertake financial responsibility for drilling. The strategy is to build seismic knowledge on each Block to the point where a financially significant number of drillable prospects have been worked up – and then sell or farm out the majority of the interest with a carry for at least one well.
- The Directors have particularly good contacts at the ministerial level of regional politics and excellent local knowledge to inform decisions as to where to seek assets.
- The Company is considering a move from ISDX to AIM, where substantially larger funding can take place and in the meantime has secured the support of a number of key private shareholders, and is actively pursuing other sources of funding.
- The Group adheres to all current health and safety standards as recommended by the competent worldwide standard – setting organisations and to the UK's Anti-Bribery legislation. It also requires its employees and third party contractors to confirm in writing their adherence.

Signed by order of the board



Lina Haidar
Chief Executive Officer

28 May 2014

Directors' report for the year ended 31 December 2013

The Directors present their report on the Company and its subsidiaries, Sphere Petroleum Corporation and Sencap Limited (the "Group") together with the audited financial statements for the year ended 31 December 2013.

The Company was re-registered in England on 12 December 2013 as a public company limited by shares. The Company's shares are listed on the ICAP Securities & Derivatives Exchange ("ISDX").

Principal activities

The Group's principal activity is the exploration for oil and gas in sub-Saharan Africa. The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying operations.

In February 2013, the Group acquired 85.7% of the shares of Sphere Petroleum Corporation, a British Virgin Islands (BVI) registered company that holds interests in two explorations licences in the Republic of Guinea-Bissau, as described in the Strategic Review above. Cap Energy's interests in Block 1 and Block 5B were officially gazetted by the Government of Guinea-Bissau on 19th February 2013. Petroguin, the Guinea-Bissau national oil company, is a carried partner during the exploration period.

Block 1 (Corvina / 4,800 Km²) and Block 5B (Becuda / 5,500 Km²) are located offshore Guinea-Bissau in the productive Mauritania-Senegal-Guinea-Bissau-Conakry Basin.

In February 2014, Cap Energy Plc through its wholly-owned subsidiary Sencap Limited acquired a 49% equity stake in TAOL Senegal (Djiffere) Limited (a subsidiary of Trace Atlantic Oil Limited), which has a 90% interest in the Djiffere Offshore Licence and is the Licence Operator. The Block Djiffere Offshore licence area covers 4,459 km² in the shallow waters of the Senegal (Mauritania-Senegal-Gambia-Bissau-Conakry) Basin.

Below is a summary of the Group's interests and partners in the three exploration blocks as at the date of this report:

Guinea-Bissau	Block 1, (Corvina)	Licence Participants	Effective Interest	Cost Interest
		Trace Atlantic Oil (operator)	52%	65%
		Cap Energy	24%	35%
		Petroguin (NOC)	20%	-
		SPQSC *	4%	-
Guinea-Bissau	Block 5B, (Becuda)	Licence Participants	Effective Interest	Cost Interest
		Trace Atlantic Oil (operator)	58.5%	65%
		Cap Energy	27%	35%
		Petroguin (NOC)	10%	-
		SPQSC	4%	-
Senegal	Block Djiffere	Licence Participants	Effective Interest	Cost Interest
		Trace Atlantic Oil (operator)	45.9%	51%
		Cap Energy	44.1%	49%
		Petrosen (NOC)	10%	-

*Minority shareholder in Sphere Petroleum Corporation and carried during first and second exploration periods (2D and 3D surveys)

The Board is convinced of the potential for significant shareholders' value generation in sub-Saharan African exploration & production and is committed to materially expanding its asset base and activity in the region.

The Strategic Report, which is set out on pages 3 to 4 provides a comprehensive review of the development, performance and future prospects of the business for the year ended 31 December 2013 including description of the company's strategy, business models and business overview.

Results and dividends

The results for the Group for the year and the Group and Company's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend the payment of a final dividend (year ended 31 December 2012: £nil).

Business review and future developments

A full review of the business is to be found in the Strategic Review above.

Political and charitable contributions

The Group has not made any political contributions. It is, however, contributing to Guinea-Bissau's Social Development Programme which focusses on medical and educational development. The Company has so far made US\$30,000 available in cash (yet to be disbursed) and has, through its high level contacts, encouraged other companies in the target sectors to make contributions in kind.

Financial risk management

Details of the Group's exposure to a variety of financial risks and management programme that seeks to limit the adverse effects on the financial performance of the Group are set out in Note 24 to the consolidated financial statements.

Going concern

The operations of the Group are currently being financed from funds which the Company has raised from private placings of its shares and loans from certain of its shareholders. The Group has not yet earned revenue as it is still in the exploration phase of its business. The Group is reliant on the continuing support from its existing and the expected support of future shareholders.

The Company holds cash balances of £880,704 at 31 December 2013 and has funding plans in place for further capital to meet the Group's planned activities. As set out in Note 15, the Group holds interests in two oil and gas exploration licences offshore Guinea-Bissau.

In order to fund its share of the exploration and other licence costs, to meet day-to-day operating expenditures and add further exploration interests to the Group, it will need to raise further funds from a number of different sources which may include equity issues or a sale or farm-out of part of its interest in its licences.

The Board believes that the Group will be able to raise, as required, sufficient cash or reduce its commitments to enable it to continue its operations, including the pursuit of future exploration opportunities, and to continue to meet, as and when they fall due, its liabilities for at least the next twelve months from the date of approval of these financial statements. The financial statements have, therefore, been prepared on the going concern basis.

However, there can be no guarantee that the required funds will be raised within the necessary timeframe. Consequently a material uncertainty exists that may cast significant doubt on the Group's ability to fund this cash shortfall and therefore be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report. The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

Directors

The directors who served the Company during the year or have been appointed thereafter, are shown below:

Tim Hearley, Non-Executive Chairman
Lina Haidar, Chief Executive Officer
Pierantonio Tassini, Chief Operating Officer
Alexander Haly, Non-Executive Director

At the forthcoming Annual General Meeting in accordance with the Company's Articles of Association, Lina Haidar will retire by rotation and being eligible, will offer herself for re-election.

Directors' remuneration

The fees paid to the Directors during the year ended 31 December 2013 was as follows:

	31 Dec 2013 £'000	31 Dec 2012 £'000
Tim Hearley	20	-
Lina Haidar	115	-
Pierantonio Tassini	101	-
Alexander Haly	7	-
Waiver of amounts accrued in prior years	-	(17)
	243	(17)

Post balance sheet events

As detailed in Note 27(a), on 19 February 2014, Sencap Limited ("Sencap"), a newly formed subsidiary of the Company, acquired from Trace Atlantic Oil Limited ("TAOL") a 49 per cent interest in TAOL Senegal (Djiffere) Limited ("TAOL Djiffere"), the company holding a 90% interest in the Block Djiffere Licence. TAOL is the owner of the remaining 51 per cent interest in TAOL Djiffere which is also the operating partner in Block Djiffere. Sencap is wholly owned by the Company.

As detailed in Note 27(b), the final US\$1,500,000 tranche of the US\$3,500,000 subscription agreement announced on 3 October 2013 was received on 26 February 2014 and 621,999 new ordinary shares of 5p each in the Company were issued at a price of 148 pence per share.

Employees

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and the various factors affecting the performance of the Group.

The directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. Furthermore, the directors believe that the Group's ability to sustain a competitive advantage over the long term depends in a large part on ensuring that all employees contribute to the maximum of their potential. The Group is committed to improving the performance of all employees through development and training.

The Group is an equal opportunity employer. The Group's policies seek to promote an environment free from discrimination, harassment and victimisation and to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, age, race, colour, nationality or national origin, disability or sexual orientation or is disadvantaged by conditions or requirements, which cannot objectively be justified. Entry into, and progression within the Group, is solely determined on the basis of work criteria and individual merit.

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate.

Directors' responsibilities statement in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. 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 Group and Company and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' report and Strategic report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the website. Legislation in the United Kingdom concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
-
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Substantial interests

The directors have been notified of the following substantial shareholdings in excess of 3% of the ordinary share capital of the Company as at 31 December 2013.

	No. of ordinary shares	Percentage
Global Energy Trade Limited	23,174,128	81.56%
Anthony Haly	1,200,000	4.22%
Mourad Haidar	870,798	3.06%

Except as referred to above, the directors are not aware of any person who was interested in 3.0% or more of the issued share capital of the company or could directly or indirectly, jointly or severally, exercise control.

Corporate governance

The Board recognises the value of good governance and complies with the provisions of the Quoted Companies Alliance Guidelines insofar as possible for a company of the size and nature of the Company.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The Board holds Board meetings at least four times a year and at other times as and when required.

Independent Auditors

On 13 March 2014, Ashings Limited resigned as auditors to the Company and Crowe Clark Whitehill LLP were appointed in their place. In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Crowe Clark Whitehill LLP be re-appointed will be proposed at the Annual General Meeting.

Annual General Meeting

A notice of the Annual General Meeting will be issued separately.

Signed by order of the board

A handwritten signature in black ink, appearing to read 'Tim Hearley', written over a horizontal line.

Tim Hearley
Chairman

Date 28 May 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAP ENERGY PLC

We have audited the Group and Parent Company financial statements of Cap Energy Plc for the year ended 31 December 2013 which comprise Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes numbered 1 to 28 and the Company Balance Sheet, the Reconciliation in Shareholder's Funds and the company related notes numbered 1 to 14.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements 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 auditors

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 Chairman's Statement, Strategic Report, Directors' Report 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 during the course of our 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 group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 regarding the Company's ability to continue as a going concern. The future operations of the Group are dependent on the Company raising additional funding to cover both working capital and the operational needs of the Group's exploration activities and note 2 of the financial statements describe how the Company may be able to raise such future finance. Notwithstanding the Board's belief that the Group will be able to raise the required finance, this indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were not to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Leo Malkin
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London
28 May 2014

Cap Energy Plc
Consolidated statement of comprehensive income
Year ended 31 December 2013

	Note	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Administrative expenses		(624,559)	(114,425)
Operating loss	5	(624,559)	(114,425)
Gain on disposal of subsidiary	6	-	24,532
Finance income		559	-
Finance costs	7	(50)	49,198
Loss before taxation	9	(624,050)	(40,695)
Income tax expense		-	-
Loss for the year		(624,050)	(40,695)
Attributable to:			
- Owners of the parent		(624,660)	(40,695)
- Non-controlling interests		610	-
		(624,050)	(40,695)
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		-	-
Total comprehensive loss		(624,050)	(40,695)
Attributable to:			
- Owners of the parent		(624,660)	(40,695)
- Non-controlling interests		610	-
Total comprehensive loss for the year		(624,050)	(40,695)
Total comprehensive loss attributable to equity shareholders arises from:			
- Continuing operations		(624,050)	(69,492)
- Discontinued operations		-	28,797
	11	(624,050)	(40,695)
			(Restated)
Basic and diluted loss per share attributable to owners of the Parent (pence per share):			
- Continuing operations		(5.47)	(2.24)
- Discontinued operations		-	0.84
Total loss per share		(5.47)	(1.40)

The notes on pages 16 to 43 form an integral part of these consolidated financial statements.

Cap Energy Plc
Consolidated statement of financial position
As at 31 December 2013

	Note	31 Dec 2013 £	31 Dec 2012 £ (Restated)	1 Jan 2012 £
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	12	18,511	1,719	-
Intangible assets	13	2,508,144	-	269,056
		2,526,656	1,719	269,056
CURRENT ASSETS				
Advance payments for acquisition of subsidiary	16	-	218,549	-
Other receivables, deposits and prepayments	17	32,538	3,598	115
Cash and cash equivalents	22	880,704	95	187
		913,106	222,242	302
TOTAL ASSETS		3,439,762	223,961	269,358
EQUITY AND LIABILITIES				
Share capital	18	1,420,681	238,387	43,987
Share premium account		595,721	1,580,384	1,379,834
Own shares	19	(132)	(132)	-
Foreign exchange reserve		-	-	6,805
Accumulated losses		987,377	(1,858,687)	(1,824,797)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		3,003,647	(40,048)	(394,171)
Non-controlling Interests		242,657	-	-
Total equity		3,246,304	(40,048)	(394,171)
CURRENT LIABILITIES				
Bank loans and overdrafts	20	-	68	-
Trade payables		24,639	-	-
Amounts due to directors		-	-	38,919
Amounts due to shareholders	21	26,008	228,068	-
Other payables		13,673	32,848	24,828
Accruals and deferred income		129,137	3,025	92,296
		193,458	264,009	156,041
NON CURRENT LIABILITIES				
Other loans	20	-	-	507,490
TOTAL LIABILITIES		193,458	264,009	663,529
TOTAL EQUITY AND LIABILITIES		3,439,762	223,961	269,358

The notes on pages 16 to 43 form an integral part of these consolidated financial statements.

The financial statements on pages 16 to 50 were authorised for issue by the board of directors on 28 May 2014 and were signed on its behalf.


Lina Haidar
Chief Executive Officer

Cap Energy Plc
Consolidated statement of changes in equity
Year ended 31 December 2013

Attributable to owners of the parent

	Share capital £	Share premium £	Own shares £	Foreign exchange reserve £	Accumulated losses £	Total £	Non- controlling interest £	Total equity £
Balance at 1 January 2012	43,987	1,379,834	-	6,805	(1,824,797)	(394,171)	-	(394,171)
Loss for the year	-	-	-	-	(40,695)	(40,695)	-	(40,695)
Foreign currency translation differences	-	-	-	(6,805)	6,805	-	-	-
Total comprehensive income for the year	-	-	-	(6,805)	(33,890)	(40,695)	-	(40,695)
Issue of shares	194,400	200,550	-	-	-	394,950	-	394,950
Balance at 31 December 2012 as previously reported	238,387	1,580,384	-	-	(1,858,687)	(39,916)	-	(39,916)
Prior year adjustment	-	-	(132)	-	-	(132)	-	(132)
Balance at 31 December 2012 as restated	238,387	1,580,384	(132)	-	(1,858,687)	(40,048)	-	(40,048)
Loss for the year	-	-	-	-	(624,660)	(624,660)	610	(624,050)
Issue of ordinary shares	1,221,882	2,446,473	-	-	-	3,668,355	-	3,668,355
Cancellation of deferred shares	(39,588)	-	-	-	39,588	-	-	-
Capital reduction	-	(3,431,136)	-	-	3,431,136	-	-	-
Non-controlling interest arising on acquisition of subsidiary	-	-	-	-	-	-	242,047	242,047
Balance at 31 December 2013	1,420,681	595,721	(132)	-	987,377	3,003,647	242,657	3,246,304

Own shares relate to the holding of 25,655 unallocated and unvested ordinary shares in the Company by The Cap Energy Employee Benefit Trust.

The notes on pages 16 to 43 form an integral part of these consolidated financial statements.

Cap Energy Plc

Notes to the consolidated financial statements for the year ended 31 December 2013

Consolidated cash flows year ended 31 December 2013

		Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
	Note		
Cash flow from operating activities			
Loss before taxation		(624,050)	(40,695)
Adjustments for:-			
Depreciation of plant and equipment		7,030	573
Gain on disposal of subsidiary		-	(24,532)
Interest income		(559)	-
Interest charges		50	(49,198)
Operating cash flow before working capital changes		(617,529)	(113,852)
Increase in other receivables and deposits		(28,940)	(3,483)
Decrease in trade payables		(232,138)	-
Decrease in amounts due to Directors		-	(38,919)
Loans advanced from/(repaid to) shareholders		(202,060)	228,068
Increase in other payables		19,552	33,415
Increase/(decrease) in accruals and deferred income		126,111	(82,936)
		(973,354)	22,293
Interest income		559	-
Interest charges		(50)	49,198
Net cash flow from operating activities		(972,845)	71,491
Cash flow used in investing activities			
Purchase of property, plant and equipment		(23,882)	(2,992)
Funds used in exploration and evaluation		(561,320)	(218,549)
Net cash on disposal of subsidiary		-	(110)
Net cash consideration on acquisition of subsidiary		(1,129,631)	-
Net cash flow used in investing activities		(1,714,833)	(221,651)
Net cash flow from financing activities			
Proceeds from issue of shares		3,568,355	150,000
Net (decrease)/increase in cash and cash equivalents		880,677	(160)
Cash and cash equivalents at beginning of the year		27	187
Cash and cash equivalents at end of the year	22	880,704	27

The notes on pages 16 to 43 form an integral part of these consolidated financial statements.

General information

Cap Energy Plc is an independent upstream oil and gas company focused on the exploration, production and development of conventional oil and gas assets in sub-Saharan Africa. The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying subsidiaries.

The Company was re-registered in England on 12 December 2013 as a public company limited by shares and is domiciled in England and incorporated and registered in England and Wales. The Company's shares are listed on the ICAP Securities & Derivatives Exchange ("ISDX"). The address of its registered office is 25 Dover Street, London W1S 4LX. The registered number of the Company is 05351398.

The consolidated financial statements of Cap Energy Plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 28 May 2014.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

a) Basis of preparation

The consolidated financial statements of Cap Energy Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), issued by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss. The consolidated financial statements of Cap Energy Plc are presented in pounds sterling, which is the presentation currency for the consolidated financial statements. The functional currency of each of the group entities is the local currency of each individual entity as disclosed in Note 1(h) below.

For all periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with generally accepted accounting principles in the United Kingdom (UK GAAP). These financial statements for the year ended 31 December 2013 are the first the Group has prepared in accordance with IFRS. Refer to Note 2 (v) for information on how the Group adopted IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The individual financial information of each group entity is measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial information of the Group is presented in Pounds Sterling, which is the presentation currency for the Group. The functional currency of each of the Group entities is the local currency of each individual entity.

b) Going concern

The operations of the Group are currently being financed from funds which the Company has raised from private placings of its shares and loans from certain of its shareholders. The Group has not yet earned revenue as it is still in the exploration phase of its business. The Group is reliant on the continuing support from its existing and the expected support of future shareholders.

The Company holds cash balances of £880,704 at 31 December 2013 and has funding plans in place for further capital to meet the Group's planned activities. As set out in Note 15, the Group holds interests in two oil and gas exploration licences offshore Guinea-Bissau.

In order to fund its share of the exploration and other licence costs, to meet day-to-day operating expenditures and add further exploration interests to the Group, it will need to raise further funds from a number of different sources which may include equity issues or a sale or farm-out of part of its interest in its licences.

The Board believes that the Group will be able to raise, as required, sufficient cash or reduce its commitments to enable it to continue its operations, including the pursuit of future exploration opportunities, and to continue to meet, as and when they fall due, its liabilities for at least the next twelve months from the date of approval of these financial statements. The financial statements have, therefore, been prepared on the going concern basis.

However, there can be no guarantee that the required funds will be raised within the necessary timeframe. Consequently a material uncertainty exists that may cast significant doubt on the Group's ability to fund this cash shortfall and therefore be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report. The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

c) Adoption of new and revised International Financial Reporting Standards

The following new and revised Standards and Interpretations have been adopted and have affected the presentation and disclosures reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on presentation or disclosures reported are set out in (ii) below.

- (i) Standards and Interpretations affecting the presentation and disclosure in the financial statements

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement.

- (ii) Standards and Interpretations adopted with no effect on the financial statements

IFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

Notes to the consolidated financial statements for the year ended 31 December 2013

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

(iii) Standards, amendments and interpretations to published standards not yet effective —

At the date of approval of the consolidated financial statements, the following Standards and Interpretations which have not been applied in the consolidated financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The transfer to these new or revised standards and interpretations is not expected to have a material impact on the consolidated financial statements of the Group in future periods.

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 27	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IFRS 14	Regulatory Deferral Accounts
IFRS 10, IFRS 12 and IAS 27	Amendments: Investment Entities
IFRIC 21	Levies
IFRIC 14	Regulatory Deferral Accounts
IAS 39	Amendment: Novation of Derivatives and Continuation of Hedge Accounting
IAS 36	Amendment: Recoverable Amount Disclosures for non-Financial Assets
IAS 16	Amendment: Clarification of Acceptable Methods of Depreciation
IAS 38	Amendment: Clarification of Acceptable Methods of Amortisation
IAS 19	Amendment: Defined Benefit Plans – Employee Contributions

The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Group's reported results.

d) **Basis of consolidation**

A subsidiary is defined as an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for under the acquisition method. Under the acquisition method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Any excess of the purchase consideration of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill, if any, is not amortised but reviewed for impairment at least annually.

If the consideration is less than the fair value of assets and liabilities acquired, the difference is recognised directly in the statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The Company includes the assets and liabilities of the Employee Benefit Trust ("EBT") within its Statement of Financial Position. In the event of the winding up of the Company, neither the shareholders nor creditors would be entitled to the assets of the EBT.

Company shares held by the EBT are deducted from the shareholders' funds and classified as 'Own Shares' until such time as they vest unconditionally to participating employees.

e) Oil and gas exploration and evaluation expenditure

All exploration and evaluation costs incurred or acquired on the acquisition of a subsidiary are accumulated in respect of each identifiable project area. These costs are classified as intangible assets and are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves (successful efforts). Other costs are written off unless commercial reserves have been established or the determination process has not been completed. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area of interest are transferred from intangible assets to tangible assets as 'Developed Oil and Gas Assets' and amortised over the life of the area according to the rate of depletion of the economically recoverable costs.

f) Impairment of oil and gas exploration and evaluation assets

The carrying value of unevaluated areas is assessed at least annually or when there has been an indication that impairment in value may have occurred. The impairment of unevaluated prospects is assessed based on the Directors' intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and development.

g) Decommissioning costs

Where a material liability for the removal of production facilities and site restoration at the end of the field life exists, a provision for decommissioning is made. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. An asset of an amount equivalent to the provision is also created and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset.

h) Functional and foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Pounds Sterling, which is the Group's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated to Pounds Sterling at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the foreign exchange translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period. Exchange differences are recognised in other comprehensive income.

i) Financial instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between

Notes to the consolidated financial statements for the year ended 31 December 2013

the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(i) *Financial assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- *Loans and receivables financial assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Group's loans and receivables financial assets comprise 'trade and other receivables' and cash and cash equivalents included in the consolidated statement of financial position.

- *Financial assets at fair value through profit or loss*

There were no financial assets classified under this category.

- *Held-to-maturity investments*

There were no financial assets classified under this category.

- *Available-for-sale financial assets*

There were no financial assets classified under this category.

(ii) *Financial liabilities*

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. There were no financial liabilities classified under this category.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(iii) Equity instruments

Ordinary and Deferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

- Office equipment, fixtures and fittings	25%
- Motor vehicles	33.3%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the income statement within "other income / (expenses)". Any revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

k) Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that

the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of non-financial assets

The carrying values of assets, other than those to which IAS 36 – 'Impairment of Assets' does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

l) Income taxes

Income tax for each reporting period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss.

Notes to the consolidated financial statements for the year ended 31 December 2013

Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

n) Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Post-employment benefits

The Group does not currently make provision for post-employment benefits by way of pension plans or similar arrangements.

o) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

p) Revenue and other income

Interest income

Interest income is recognised as other income on an accruals basis based on the effective yield on the investment.

q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

r) Share-based payment arrangements

IFRS 2 Share-based Payment has not been applied to equity instruments in share-based payment transactions that were granted after 7 November 2002 that vested before 1 January 2012.

s) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

There were no leases classified under the category of finance leases.

t) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

u) First-time adoption of IFRS

These financial statements, for the year ended 31 December 2013, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2012, the Group prepared its financial statements in accordance with generally accepted accounting principles in the United Kingdom (UK GAAP).

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2013, together with the comparative period data as at and for the year ended 31 December 2012, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 January 2012, the Group's date of transition to IFRS. In restating its UK GAAP financial statements, no adjustments were necessary to any amounts included in the statement of financial position as at 1 January 2012 and the financial statements as at and for the year ended 31 December 2012.

The transition from UK GAAP to IFRS has had no impact on the statement of comprehensive income or statement of consolidated cash flows.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions:

- IFRS 3 *Business Combinations* has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS that occurred before 1 January 2012. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IFRS 1 also requires that the UK GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). As there were no amounts of goodwill recognised at the date of transition, no goodwill impairment was deemed necessary at 1 January 2012.

- The Group has not applied IAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur
- IFRS 2 Share-based Payment has not been applied to equity instruments in share-based payment transactions that were granted after 7 November 2002 that vested before 1 January 2012.
- Under UK GAAP, the Group accounted for exploration costs for oil and gas properties in the development or production phases in cost centres that include all properties in a large geographical area. It has elected to measure oil and gas assets at the date of transition to IFRS at the amount determined under UK GAAP.

3. Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The prime areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the financial statements, are as follows:

Impairment of capitalised exploration and evaluation expenditure and recoverability of inter-company balances

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether it successfully recovers the related exploration and evaluation asset through sale.

Notes to the consolidated financial statements for the year ended 31 December 2013

Factors which could impact the future recoverability include the level of proved, probable and inferred resources, future technological changes which could impact the cost of drilling and extraction, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined to be irrecoverable in the future, this will reduce profits and net assets in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Determining whether inter-company balances are impaired requires an estimation of whether there are any indications that their carrying values are not recoverable. This in turn is directly dependent on the future recoverability of capitalised exploration and evaluation expenditure.

4. Segment analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (which takes the form of the board of directors of the Company) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

The Group's business involves exploring for hydrocarbon liquids and gas. As at 31 December 2013, there are two reportable operating segments: Africa and Head Office. The interest in the USA was disposed during the year ended 31 December 2012. Intangible assets and operating assets and liabilities are located in Africa, whilst the majority of current assets are carried at Head Office. The Group has not yet commenced production and therefore has no revenue. Each reportable segment adopts the same accounting policies. In compliance with IFRS 8 'Operating Segments' the following tables reconcile the operational loss for the year of each reportable segment with the consolidated figures presented in these Financial Statements, with comparatives for the year ended 31 December 2012, and the net assets together with comparative figures as at 31 December 2012 and 1 January 2012.

The Group's loss before tax and equity attributable to owners of the parent are detailed below.

	Africa £	Head Office £	USA £	Total £
31 December 2013				
Profit/(loss) before tax	4,266	(628,316)	-	(624,050)
Equity attributable to owners of parent	2,723,415	280,232	-	3,003,647
31 December 2012				
Loss before tax	-	(40,695)	-	(40,695)
Equity attributable to owners of parent	318,549	(358,597)	-	(40,048)
1 January 2012				
Equity attributable to owners of parent	-	(663,337)	269,166	(394,171)

5. Gain on disposal of subsidiary

	31 Dec 2013 £	31 Dec 2012 £
Disposal of subsidiary	-	24,532
	<u>-</u>	<u>24,532</u>

On 3 May 2012, the Group completed its disposal of Cap Energy USA Inc., a wholly owned subsidiary as described in Note 10 below. Accordingly, the subsidiary was deconsolidated from the date that control ceased.

6. Finance costs

	31 Dec 2013 £	31 Dec 2012 £
On bank loans and overdrafts	-	1
On other loans	50	2,075
Amounts waived	-	(51,274)
	<u>50</u>	<u>(49,198)</u>

As part of the Company's recapitalisation on 3 May 2012, accrued interest costs from prior years were waived by the holders of loan notes resulting in a credit to profit and loss of £51,274.

7. Loss before taxation

Loss before taxation is arrived at after charging/(crediting):-

	31 Dec 2013 £	31 Dec 2012 £
Amortisation of intangible assets	-	-
Depreciation of plant and equipment	7,030	573
Fees payable to the company's auditors for the audit of parent company and consolidated financial statements	12,350	4,524
Fees payable to the company's auditor for tax compliance services	2,776	-
Directors' fees	243,000	(16,729)
Staff costs (including Directors):		
- salaries, allowances and bonuses	265,089	(16,729)
- social security costs	1,448	-
Rental of office	23,483	8,583
Interest income	<u>559</u>	<u>-</u>

Fees payable to the company's auditors in 2012 represent amounts paid to the company's previous auditors, Ashings Limited.

8. Staff costs

	Year ended 31 Dec 2013 No.	Year ended 31 Dec 2012 No.
The average monthly number of employees was:	3	3
	31 Dec 2013 £	31 Dec 2012 £
Aggregate remuneration (including directors):		
Short-term employee benefits	265,089	(16,729)
Social security costs	1,448	-
	<u>266,537</u>	<u>(16,729)</u>

9. Income tax

There Group has made no provision for taxation as the Group has not yet generated any taxable income.

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:

	31 Dec 2013 £	31 Dec 2012 £
Loss before taxation	(624,050)	(40,695)
Tax at the applicable statutory tax rates of 20% (2012: 24%)	(124,810)	(9,970)
Tax effects of:-		
Non-deductible expenses	9,840	10,693
Capital allowances in excess of depreciation	(3,358)	(421)
Non-taxable income less expenses not deductible for tax	-	(65,404)
Overseas (profits) / losses not subject to tax	(853)	59,395
Unrelieved tax losses	119,181	5,437
Income tax expense for the financial year	<u>-</u>	<u>-</u>

The Group has tax losses of approximately £856,000 (year ended 31 December 2012: £260,000) which, subject to agreement with taxation authorities, are available to carry forward against future profits.

10. Discontinued operations

On 3 May 2012, the Company completed the disposal of Cap Energy USA Inc., a wholly owned subsidiary with operations in the United States. The loss from the operations of Cap Energy USA Inc., for the period between 1 January 2012 and 3 May 2012 amounted to £nil.

Notes to the consolidated financial statements for the year ended 31 December 2013

11. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) after tax attributable to the equity holders of the Group by the weighted average number of shares in issue during the year. Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, namely share options. The calculation of earnings/(loss) per share is based on the following:

	31 Dec 2013 £	31 Dec 2012 £
Loss after tax from continuing operations attributable to owners of the Group :	(624,660)	(65,227)
Profit after tax from discontinued operations attributable to owners of the Group :	-	24,532
Loss for the year attributable to owners of the Group	(624,060)	(40,695)
Weighted average number of shares:		
Basic and diluted	11,403,078	2,915,513

In calculating the weighted average number of ordinary shares outstanding (the denominator of the loss per share calculation) an adjustment has been made to decrease the number of shares resulting from the consolidation of shares made during the year (as described in Note 18). The comparative number of shares has also been reduced to reflect this consolidation.

Prior year adjustment

The weighted average number of shares used in the calculation of diluted earnings per share has also been adjusted to exclude shares held in the EBT. In the year ended 31 December 2012, this adjustment was not made. The impact of the adjustment is to increase the loss per share for the year ended 31 December 2012 as shown in the following table:

Weighted number of shares as previously reported (after adjustment for consolidation of shares in 2013)	2,932,593
Adjustment for EBT shareholding	<u>(17,080)</u>
Weighted average number of shares as restated	<u>2,515,513</u>

	As previously reported (Pence)	Adjustment (Pence)	Total loss per share as restated (Pence)
Continuing operations	(2.23)	(0.01)	(2.24)
Discontinued operations	0.84	-	0.84
Total loss per share	<u>(1.39)</u>	<u>(0.01)</u>	<u>(1.40)</u>

12. Property, plant and equipment

	Office equipment, fixtures and fittings £	Motor vehicles £	Total £ (Restated)
Cost			
At 1 January 2012	-	-	-
Additions	2,292	-	2,292
	<hr/>	<hr/>	<hr/>
At 31 December 2012	2,292	-	2,292
Additions	6,554	17,268	23,822
	<hr/>	<hr/>	<hr/>
At 31 December 2013	8,846	17,268	26,114
	<hr/>	<hr/>	<hr/>
Accumulated Depreciation			
At 1 January 2012	-	-	-
Charge for the year	573	-	573
	<hr/>	<hr/>	<hr/>
At 31 December 2012	573	-	573
Charge for the year	1,274	5,756	7,030
	<hr/>	<hr/>	<hr/>
At 31 December 2013	1,847	5,756	7,605
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 31 December 2013	6,996	11,512	18,511
	<hr/>	<hr/>	<hr/>
At 31 December 2012	1,719	-	1,719
	<hr/>	<hr/>	<hr/>
At 1 January 2012	-	-	-
	<hr/>	<hr/>	<hr/>

13. Intangible assets

	Exploration and evaluation expenditure £
Cost	
At 1 January 2012	407,858
Discontinued operations	<u>(407,858)</u>
At 31 December 2012	-
Acquired on acquisition of subsidiary	1,946,824
Additions	561,320
At 31 December 2013	<u><u>2,508,144</u></u>
Accumulated amortisation	
At 1 January 2012	138,052
Discontinued operations	<u>(138,052)</u>
At 31 December 2012	-
Charge for the year	<u>-</u>
At 31 December 2013	<u><u>-</u></u>
Net Book Value	
At 31 December 2013	<u><u>2,508,144</u></u>
At 31 December 2012	<u><u>-</u></u>
At 1 January 2012	<u><u>269,056</u></u>

At 31 December 2013 the aggregate capitalised Exploration and Evaluation ("E&E") costs in relation to the Group's Guinea Bissau licences was £2,508,144. These amounts have not been impaired because commercial reserves have not yet been established or the determination process has not been completed. In accordance with IFRS 6, the Directors have assessed whether any indication of impairment exists in respect of those intangible assets. In their opinion, based on a review of the expiry dates of licences and the likelihood of their renewal, available funds and the intention to continue exploration and evaluation, no indications of impairment were identified. Further details of the exploration activities are included within the Chairman's Statement and Strategic Report.

14. Business combinations and acquisition of non-controlling interests

On 8 April 2013, the Company acquired 85.7% of the issued share capital in Sphere Petroleum Corporation, a company incorporated in the British Virgin Islands ("BVI") ("Sphere BVI") as described in Note 15. The Group has elected to measure the non-controlling interest in the acquiree at fair value.

Assets acquired and liabilities assumed

The following table summarises the consideration paid for Sphere BVI, the fair value of the identifiable assets acquired and liabilities assumed and the non-controlling interest as at the date of acquisition:

Consideration:

	£
Amounts payable in cash	<u><u>1,132,223</u></u>

Notes to the consolidated financial statements for the year ended 31 December 2013

Recognised amounts of identifiable assets acquired and liabilities assumed:

	£
Exploration and evaluation expenditure	1,946,824
Cash and cash equivalents	2,592
Trade payables	(256,777)
Identifiable net assets	1,692,639
Non-controlling interest	(242,047)
Fair value adjustment	(318,369)
Total	1,132,223

The fair value of the non-controlling interest in Sphere BVI has been estimated by applying a discounted earnings approach. Sphere BVI is an unlisted company and as such no market information is available.

From the date of acquisition, Sphere BVI has contributed £4,266 to the result before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, the loss from continuing operations for the Group would have been unchanged.

Analysis of cash flows on acquisition:

	£
Cash consideration payable on acquisition	1,132,223
Net cash acquired with the subsidiary	(2,592)
Net cash flow on acquisition	1,129,631

15. Subsidiary companies of the Group

As at the date of these financial statements, the Company's subsidiaries, both of which are private companies limited by shares, are as follows:

	Country of Registration or Incorporation	Principal activity	Percentage of ordinary shares held by Company
Sphere Petroleum Corporation	BVI	Oil and gas exploration	85.7%
Sencap Limited*	BVI	Oil and gas exploration	100%

*: Incorporated 6 February 2014.

The accounting reference date of the subsidiaries is co-terminous with that of the Company.

Acquisition of interests in Guinea-Bissau

On 8 April 2013, the Company acquired 85.7% of the issued share capital in Sphere Petroleum Corporation ("Sphere BVI"), a company which holds interests in two oil and gas exploration licences offshore Guinea-Bissau. The shares were acquired from Sphere Petroleum QSC ("Sphere"), which has retained a minority shareholding of 14.3% in Sphere BVI. The licences relate to Block 1 (Corvina) and Block 5B (Becuda). The Block 1 licence area covers 4,800 square kilometres offshore Guinea-Bissau and is located directly west of the Joint Administration Zone ("AGC") between Guinea-Bissau and Senegal.

Sphere BVI has a 35% cost interest and a 28% equity interest in Block 1 pursuant to a joint venture agreement with Empresa Nacional de Pesquisa e Exploracao Petroliferas, E.P. ("Petroguin"), the national petroleum company of The Republic of Guinea-Bissau, and the licence operator, Atlantic Petroleum Guinea Bissau Limited ("Atlantic") (formerly Lime Petroleum Guinea Bissau Ltd). Under the joint

Notes to the consolidated financial statements for the year ended 31 December 2013

venture agreement, Petroguin has a 0% cost interest and a 20% equity interest in Block 1 and Atlantic has a 65% cost interest and a 52% equity interest in Block 1.

The Block 5B licence area covers 5,500 square kilometers offshore Guinea-Bissau. Sphere BVI has a 35% cost interest and a 31.5% equity interest, also pursuant to a joint venture agreement with Petroguin and Atlantic. Petroguin has a 0% cost interest and a 10% equity interest in Block 5B and Atlantic has a 65% cost interest and a 58.5 % equity interest in Block 5B.

The consideration for the acquisition of the shares in Sphere BVI totalled £1,132,223.

16. Advance payment for acquisition of subsidiary

Amounts totalling £218,549 had been advanced at 31 December 2012 in connection with the Company's subsequent acquisition of Sphere Petroleum Corporation in February 2013.

17. Other receivables, deposits and prepayments

	31 Dec 2013 £	31 Dec 2012 £	1 Jan 2012 £
Sundry receivables	9,527	3,598	115
Prepayments and accrued income	23,011	-	-
	<u>32,538</u>	<u>3,598</u>	<u>115</u>

The fair value of sundry receivables approximates their carrying amount, as the impact of discounting is not significant. The sundry receivables are not impaired and are not past due. The amount due from a related party of £14,083 is unsecured, interest free and repayable on demand.

18. Share capital

The allotted, called-up and fully paid share capital of the Company is as follows:-

	31 Dec 2013 £	31 Dec 2012 £	1 Jan 2012 £
Allotted, called-up and fully paid:			
Ordinary shares of £0.05 each (2012: £0.005 each)	1,420,681	198,799	43,897
Deferred shares of £0.005 each	-	39,588	-
Total share capital	<u>1,420,681</u>	<u>238,387</u>	<u>43,987</u>

On 9 January 2013, the Company issued 20,000,000 new ordinary shares of 0.5p each at 0.5p per share for a total consideration of £100,000. In the subscription, Lina Haidar, the Company's Chief Executive Officer, subscribed for 8,000,000 ordinary shares and Alex Haly subscribed for 12,000,000 ordinary shares, representing 13.39% and 20.08%, respectively, of the issued share capital of the Company as enlarged by the subscription.

Capital Reorganisation

On 27 August 2013, a resolution that every 10 existing ordinary shares of 0.5p each in the Company be consolidated into one new ordinary share of 5p each in the Company ("New Ordinary Shares") was approved. Following the consolidation, the issued share capital of the Company was reduced to 5,975,987 New Ordinary Shares, each share carrying the right to one vote.

Notes to the consolidated financial statements for the year ended 31 December 2013

On the same date, a resolution was passed to ratify the granting of convertible loan notes in respect of loans made to the Company by Global Energy Trade Limited ("GET"), Lina Haidar and Alexander Haly. Lina Haidar and Alexander Haly are Directors of the Company and the sole shareholders in GET. In summary:

- Lina Haidar and Alexander Haly transferred all of their existing convertible loan notes and the convertible loan notes approved at the Company's AGM totaling £516,423 and £385,490 respectively to GET, less convertible loan notes to the value of £13,207 which they transferred to Pierantonio Tassini, the Company's Chief Operating Officer;
- On 3 October 2013 GET converted £1,008,705 of convertible loan notes into 20,174,109 ordinary shares of 5p each in the Company ("Ordinary Shares") at a price of 5 pence per share;
- On the same date, Pierantonio Tassini converted the £13,207 of convertible loan notes held by him into 264,142 Ordinary Shares at a price equivalent to 5 pence per share;
- Of the loan of US\$ 2,000,000 from GET announced by the Company on 23 July 2013, US\$ 1,350,000 was converted into 783,718 Ordinary Shares on 3 October 2013 at a price equivalent to approximately £1.06 per share.

On 22 August 2013, the Company signed a subscription agreement with a private investor who committed to subscribe US\$3,500,000 for the issue of a total of 1,451,331 Ordinary Shares. The first US\$1,000,000 tranche of this commitment was received and 414,666 Ordinary Shares were issued on 3 October 2013 at a price equivalent to 148 pence per share. On 26 November 2013, the second US\$1,000,000 of this commitment was received and 414,667 Ordinary Shares were issued at a price equivalent to approximately £1.48 per share.

On 6 November 2013, the final US\$650,000 tranche of the US\$2,000,000 convertible loan from GET was received and a further 377,346 new ordinary shares of 5p each in the Company issued in respect thereof. In addition, 9,000 new Ordinary Shares were issued at a price equivalent to approximately £1.48 per share in respect of fees for services rendered to the Company in connection with the Company's acquisition of its interest in Sphere Petroleum Corporation.

*Reduction of Share Capital and Re-registration as a Public Limited Company
Cancellation of Deferred Shares*

The Company's 7,917,649 deferred shares in issue were cancelled on 27 November 2013 pursuant to the Company's re-registration as a public company on 12 December 2013. Additionally, the amount standing to the credit of the Company's share premium account was reduced from £3.43 million to nil, with the amount so reduced being credited to the profit and loss account, a distributable reserve.

A reconciliation of ordinary share capital is set out below:

	31 Dec 2013 No.	31 Dec 2012 No.	31 Dec 2011 No.
As at 1 January:	39,759,867	8,797,372	8,747,372
Issue of shares of £0.005 each	20,000,000	38,880,145	50,000
Replacement by deferred shares	-	(7,917,650)	-
Share consolidation	(53,783,880)	-	-
Issue of shares of £0.05 each	22,437,648	-	-
Total number of shares	28,413,635	39,759,867	8,797,372

Notes to the consolidated financial statements for the year ended 31 December 2013

A reconciliation of deferred share capital is set out below:

	31 Dec 2013 No.	31 Dec 2012 No.	31 Dec 2011 No.
As at 1 January:	7,917,650	-	-
Replacement of ordinary shares	-	7,917,650	-
Share cancellation	(7,917,650)	-	-
Total number of shares	-	7,917,650	-

19. Reserves

The foreign exchange reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable.

In accordance with the requirements of SIC 12 "Consolidation – special purpose entities" and IAS 32 "Financial Instruments: Presentation", certain of the assets and liabilities have been included in the Company's and Group's accounts resulting in the inclusion of £132 (2012: £132) in respect of 25,654 ordinary shares in the Company held by the EBT ("Own Shares").

20. Borrowings

	31 Dec 2013 £	31 Dec 2012 £	1 Jan 2012 £
Current:			
Bank loans and overdrafts	-	68	-
	-	68	-

The bank overdrafts are unsecured.

	31 Dec 2013 £	31 Dec 2012 £	1 Jan 2012 £
Non-current:			
Other loans	-	-	507,490
	-	-	507,940

The other loans comprised £507,490 8% loan notes issued on 5 October 2009, of which £268,740 was cancelled on the disposal of Cap Energy USA Inc., on 3 May 2012 and £238,750 was redeemed by way of the issue of 7,640,000 ordinary shares of £0.005 each on the same date.

21. Amounts due to shareholders

	31 Dec 2013 £	31 Dec 2012 £ (Restated)	1 Jan 2012 £
Current			
Non-trade balances	26,008	228,068	-

The amounts owing to shareholders are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

Notes to the consolidated financial statements for the year ended 31 December 2013

22. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:-

	31 Dec 2013 £	31 Dec 2012 £	1 Jan 2012 £
Cash and bank balances	880,704	95	187
Bank overdrafts	-	(68)	-
Cash and bank balances	<u>880,704</u>	<u>27</u>	<u>187</u>

23. Related party disclosures

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this note. Balances and transactions between the Group and other related parties are disclosed below.

Remuneration of directors and key management personnel

The remuneration of the senior Executive Management Committee members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	31 Dec 2013 £	31 Dec 2012 £
Short-term employee benefits	243,000	-
	<u>243,000</u>	<u>-</u>

As part of the Company's recapitalisation on 3 May 2012, the directors agreed to waive £16,729 of fees accrued in the previous year (see note 8 to the financial statements). Options granted to the directors were cancelled at the same time

Transactions with key management personnel

Directors' convertible loans

As noted above, convertible loan notes totalling £901,913 were made to the Company by Lina Haidar and Alexander Haly which were subsequently transferred to GET and Pierantonio Tassini, the Company's Chief Operating Officer. Lina Haidar and Alexander Haly are Directors of the Company and the sole shareholders in GET. Pierantonio Tassini converted the £13,207 of convertible loan notes held by him into 264,142 Ordinary Shares at a price equivalent to 5 pence per share.

Amounts due to Directors

Unpaid Directors' fees were outstanding as follows:

	31 Dec 2013 £	31 Dec 2012 £	1 Jan 2012 £
Amounts due to Directors	-	-	38,919

Ultimate parent

The ultimate parent of the Group is Global Energy Trade Limited, a private company incorporated in the British Virgin Islands.

24. Financial instruments

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk) and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

(a) Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market risk**(i) Foreign currency risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. The currencies giving rise to this risk are primarily the United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of year were as follows:-

	United States Dollar £	Other £	Total £
31 December 2013			
Financial assets	869,348	3,936	873,284
Financial liabilities	119,636	-	119,636
31 December 2012			
Financial assets	-	-	-
Financial liabilities	-	-	-
1 January 2012			
Financial assets	111	-	111
Financial liabilities	-	-	-

Foreign currency risk sensitivity analysis

The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies. The Directors consider that the Group is not exposed to material foreign currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds will be placed with licensed financial institutions to generate interest income.

Interest rate risk sensitivity analysis

A 100 basis points strengthening/weakening of the interest rate as at the end of each year would have immaterial impact on profit after taxation and/or equity. This assumes that all other variables remain constant.

(ii) Credit risk

The Group does not have any perceived credit risks on its trade and other receivables.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The maturity profile of the financial liabilities of the Group is short term, all amounts falling due within 12 months.

(b) Capital risk management

The Group defines capital as the total equity of the Group. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. It also ensures that distributions to shareholders do not exceed working capital requirements.

The Group has no external debt finance and is not subject to any external capital requirements.

(c) Classification of financial instruments

	31 Dec 2013 £	31 Dec 2012 £	1 Jan 2012 £
Financial assets			
<u>Loans and receivables financial assets</u>			
Sundry receivables	9,527	3,598	115
Cash and cash equivalents	880,704	95	187
	<u>890,231</u>	<u>3,693</u>	<u>302</u>
Financial liabilities			
<u>At amortised cost</u>			
Trade payables	24,639	-	-
Bank loans and overdrafts	-	68	-
Other loans	-	-	507,490
Amounts due to shareholders	26,008	228,068	-
Amount owing to directors	-	-	38,919
Other payables	43,626	32,848	24,828
Accruals and deferred income	119,636	3,025	92,296
	<u>213,909</u>	<u>264,009</u>	<u>663,533</u>

(d) Fair values of financial instruments

The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The Group had no financial assets or liabilities carried at fair values at the end of each reporting date.

25. Share-based payment transactions

The Group's share-based payment arrangements are summarised below.

Unapproved share option plan

	Year ended 31 December 2013		Year ended 31 December 2012	
	Number of options	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)
Balance at beginning of year	-		870,000	11.15
Cancelled in the year	-		(870,000)	11.15
Balance at end of year	-		-	

As part of its strategy for executive and key employee remuneration, the Company established in 2009 a Share Option Scheme under which Share Options were granted to officers and employees or members of the Group. Under the rules of the Share Option Scheme, the Company was able to grant Unapproved Options.

Notes to the consolidated financial statements for the year ended 31 December 2013

There was no limit on the number of shares, or the percentage of issued share capital, that could be used by the Company for Share Options. The rules of the Share Option Scheme did not comply with the ABI's guidelines on policies and practices in respect of executive remuneration.

A total of 870,000 options were granted in 2009. Of these options, 100,000 were granted with an exercise price of 20 pence per share and were to expire on 30 November 2012. The remaining options were granted with an exercise price of 10 pence per share and were to expire on 31 December 2014. All options were fully vested.

Options and The Cap Energy Employee Benefit Trust

All options granted to the Directors were cancelled on the Company's admission to ISDX on 3 May 2012. In place of the Share Option Scheme, the Company has established an Employee Benefit Trust ("EBT"), which in due course may be used to provide appropriate share based incentives to senior management of the Company. On admission, the EBT became interested in 256,546 New Ordinary Shares, representing 0.6 per cent. of the then Enlarged Issued Share Capital (subsequently consolidated into 25,654 ordinary shares). The EBT's shareholding comprises Ordinary Shares previously held by CSV Holdings Inc., (the acquirer of Cap Energy USA). No shares have been granted to date and accordingly there is no charge to the Income Statement for either of the two years ended 31 December 2013.

IFRS 2 Share-based Payment has not been applied to equity instruments in share-based payment transactions that were granted after 7 November 2002 that vested before 1 January 2012. Accordingly, no amounts have been expensed to profit or loss in respect of the fair value of the employee services received in exchange for the grant of options made in 2009.

26. Commitments

The amounts of minimum lease payments under non-cancellable operating leases are as follows:

	At 31 Dec 2013 Land and buildings £	At 31 Dec 2012 Land and buildings £	At 1 Jan 2012 Land and Buildings £
Operating leases which expire:			
Within one year	8,510	-	-
In the second to fifth years inclusive	-	24,112	-
Aggregate amounts payable	8,510	24,112	-

Payments recognised as an expense under these operating leases were as follows:

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Minimum lease payments	23,483	8,583

27. Subsequent events

(a) Acquisition

On 19 February 2014, Sencap Limited ("Sencap"), a newly formed subsidiary of the Company, acquired from Trace Atlantic Oil Limited ("TAOL") a 49 per cent interest in TAOL Senegal (Djiffere) Limited ("TAOL Djiffere"), the company holding the Block Djiffere Licence. (This represents a 90% effective participation interest after Government back-in rights following any discovery). TAOL is the owner of the remaining 51 per cent interest in TAOL Djiffere which is also the operating partner of the block. Sencap is wholly owned by the Company.

The total consideration for the acquisition of the 49 per cent interest in TAOL Djiffere was US\$150,000. The Company also paid US\$ 461,461 to TAOL Djiffere in respect of 49% of TAOL Djiffere's historic costs.

The Djiffere Licence area covers approximately 4,459 km² in shallow waters in the Senegal Basin off the West African coast and is adjacent to the Block Rufisque Offshore area operated by Cairn Energy PLC.

(b) Issue of shares

The final US\$1,500,000 tranche of the US\$3,500,000 subscription agreement announced on 3 October 2013 was received on 26 February 2014 and 621,999 new ordinary shares of 5p each in the Company were issued at a price of 148 pence per share.

Following this allotment, Mr. Serge Pereira is interested in 1,451,331 Ordinary Shares, representing 5.0 per cent of the Company's enlarged issued share capital of 29,035,633 Ordinary Shares.

28. Prior year adjustments

Certain comparative figures have been restated as a result of mis-classification at 31 December 2012. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the change has been applied retrospectively. The effect of the changes in the financial statements is as follows:

	As previously reported	Effect of prior year adjustment	As restated
	£	£	£
Statement of financial position (extract):			
NON-CURRENT ASSETS			
Property, plant and equipment	320,268	(318,549)	1,719
Advance payments for acquisition of subsidiary	-	218,549	218,549
Investments	132	(132)	-
CURRENT LIABILITIES			
Amounts due to shareholders	328,068	100,000	228,068
NET LIABILITIES	(39,916)	(132)	(40,048)
CAPITAL AND RESERVES			
Own shares	-	(132)	(132)
TOTAL EQUITY	(39,916)	(132)	(40,048)

Notes to the consolidated financial statements for the year ended 31 December 2013

The restatement had no impact on the results for the year ended 31 December 2012.

Additionally, the weighted average number of shares used in the calculation of earnings per share has been adjusted to exclude the shares held by the EBT as described in Note 11 above.

	Note	31 Dec 2013 £	31 Dec 2012 £ (Restated)
ASSETS			
FIXED ASSETS			
Tangible assets	3	18,511	1,719
Investments	4	2,144,650	-
		2,163,161	1,719
CURRENT ASSETS			
Debtors	5	32,538	3,598
Advance payments for acquisition of subsidiary	6	-	218,549
Cash and bank balances		878,113	95
		910,651	222,242
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	9	(73,820)	(264,008)
Net current assets / (liabilities)		836,831	(41,767)
NET ASSETS / (LIABILITIES)		2,999,992	(40,047)
CAPITAL AND RESERVES			
Share capital	7	1,420,681	238,387
Share premium account		595,721	1,580,384
Own shares		(132)	(132)
Accumulated losses		983,722	(1,858,686)
SHAREHOLDERS' FUNDS / (DEFICIT)		2,999,992	(40,047)

The notes on pages 46 to 50 form an integral part of these financial statements.

The financial statements on pages 12 to 50 were authorised for issue by the board of directors on 28 May 2014 and were signed on its behalf.


Lina Haidar
Chief Executive Officer

Cap Energy Plc
Reconciliation of shareholders' funds
For the year ended 31 December 2013

	Share capital £	Share premium £	Own shares £	Accumulated losses £	Total shareholders' funds £
Balance at 31 December 2012 as previously reported	238,387	1,580,384	-	(1,858,686)	(39,915)
Prior year adjustment	-	-	(132)	-	(132)
Balance at 31 December 2012 as restated	238,387	1,580,384	(132)	(1,858,686)	(40,047)
Loss for the year	-	-	-	(628,316)	(628,316)
Issue of ordinary shares	1,221,882	2,446,473	-	-	3,668,355
Cancellation of deferred shares	(39,588)	-	-	39,588	-
Capital reduction	-	(3,431,136)	-	3,431,136	-
Balance at 31 December 2013	1,420,681	595,721	(132)	983,722	2,999,992

Statement of total recognised gains and losses

A statement of total recognised gains and losses is not included in these financial statements as there are no recognised gains or losses in either the current or previous financial year other than the results reported above.

There is no difference between the profit as disclosed in the profit and loss account and the profit on a historical cost basis.

The notes on pages 46 to 51 form an integral part of these financial statements.

Cap Energy Plc

Notes to the Company financial statements for the year ended 31 December 2013

1. Summary of significant accounting policies

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom and under the historical cost accounting rules (Generally Accepted Accounting Practice in the United Kingdom).

The directors have assessed the Company's ability to continue in operational existence for the foreseeable future in accordance with the FRC Going Concern and Liquidity Risk guidance (October 2009). It is considered appropriate to continue to prepare the financial statements on a going concern basis.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate financial statements. The loss attributable to members of the Company for the year ended 31 December 2013 is £628,316 (year ended 31 December 2012: profit of £226,584). Auditor's remuneration is disclosed in note 7 to the consolidated financial statements.

(b) Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

(c) Fixed asset investments

Fixed asset investments are carried at cost less any provision for impairment.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Office equipment, fixtures and fittings	25%
Motor vehicles	33.3%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

(d) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

(f) Cash and bank balances

Cash and bank balances comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Income taxes

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(h) Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

2. Segment reporting

The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group. The directors consider this to constitute one reportable segment.

3. Tangible fixed assets

	Office equipment, fixtures and fittings £	Motor vehicles £	Total £ (Restated)
Cost			
At 1 January 2012	-	-	-
Additions	2,292	-	2,292
At 31 December 2012	2,292	-	2,292
Additions	6,554	17,268	23,822
At 31 December 2013	8,846	17,268	26,114
Accumulated Depreciation			
At 1 January 2012	-	-	-
Charge for the year	573	-	573
At 31 December 2012	573	-	573
Charge for the year	1,274	5,756	7,030
At 31 December 2013	1,847	5,756	7,603
Net Book Value			
At 31 December 2012	1,719	-	1,719
At 31 December 2013	6,999	11,512	18,511

4. Fixed asset investments

Investments and long term loans in subsidiary undertakings	Investments	Long term loans	31 Dec 2013 Total	31 Dec 2012
	£	£	£	£
				(Restated)
Cost				
Brought forward	-	-	-	1,887
Additions	1,132,223	1,012,429	2,144,650	-
Disposals	-	-	-	(1,887)
Carried forward	1,132,223	1,012,429	2,144,650	-

Details of the Company's subsidiary as at 31 December 2013 are set out in Note 15 to the consolidated financial statements. Long term loans represent amounts owed by Sphere Petroleum Corporation, are unsecured and are interest free. The Directors do not intend to recall the loan for the foreseeable future.

5. Debtors

	31 Dec 2013	31 Dec 2012
	£	£
Other debtors	9,527	3,598
Prepayments and accrued income	23,011	-
	<u>32,538</u>	<u>3,598</u>

6. Advance payment for acquisition of subsidiary

Amounts totalling £218,549 had been advanced at 31 December 2012 in connection with the Company's subsequent acquisition of Sphere Petroleum Corporation in February 2013.

7. Share capital

Details of the Company's allotted, called-up and fully paid share capital are set out in Note 18 to the consolidated financial statements. The ordinary shares of the Company carry one vote per share and an equal right to receive any dividend declared.

8. Reserves

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable. In relation to the Company's reduction of share capital on 27 November 2013, the amount standing to the credit of the Company's share premium account was reduced from £3.43 million to nil, with the amount so reduced being credited to the profit and loss account, a distributable reserve.

9. Current liabilities

	31 Dec 2013	31 Dec 2012
	£	£
		(Restated)
Trade creditors	24,639	-
Bank loans and overdrafts	-	68
Shareholder loans	26,008	228,068
Other creditors	13,673	32,848
Accruals and deferred income	9,500	3,024
	<u>73,820</u>	<u>264,008</u>

The bank overdraft is unsecured.

The amounts owing to shareholders are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

10. Related party transactions

The only key management personnel of the Company are the directors. Details of their remuneration and other related party transactions are contained in the Note 23 to the consolidated financial statements.

In addition, the Company advanced amounts to its subsidiary during the year, summarised as follows:

	31 Dec 2013 £	31 Dec 2012 £
Opening amount due from subsidiary	-	-
Amounts advanced in the year	1,012,427	-
Closing amount due from subsidiary	<u>1,012,427</u>	<u>-</u>

11. Share based payments

Details of the Company's share option scheme are contained in Note 25 the consolidated financial statements.

12. Commitments

The amounts of minimum lease payments under non-cancellable operating leases are as follows:

	At 31 Dec 2013 Land and buildings £	At 31 Dec 2012 Land and buildings £
Operating leases which expire:		
Within one year	8,510	-
In the second to fifth years inclusive	<u>-</u>	<u>24,112</u>
	<u>8,510</u>	<u>24,112</u>

Payments recognised as an expense under these operating leases were as follows:

	Year ended 31 Dec 2013 £	Year ended 31 Dec 2012 £
Minimum lease payments	<u>16,438</u>	<u>8,583</u>

13. Subsequent events

Disclosures in relation to events subsequent to 31 December 2013 are shown in Note 27 to the consolidated financial statements.

14. Prior year adjustments

Certain comparative figures have been restated as a result of mis-classification at 31 December 2012. In accordance with FRS3 Reporting Financial Performance, the change has been applied retrospectively. The effect of the changes in the financial statements is as follows:

	As previously reported	Effect of prior year adjustment	As restated
	£	£	£
Statement of financial position (extract):			
FIXED ASSETS			
Property, plant and equipment	320,268	(318,549)	1,719
Advance payments for acquisition of subsidiary Investments	- 132	218,549 (132)	218,549 -
CURRENT LIABILITIES			
Amounts due to shareholders	328,068	100,000	228,068
NET LIABILITIES	(39,915)	(132)	(40,047)
CAPITAL AND RESERVES			
Own shares	-	(132)	(132)
SHAREHOLDERS' DEFICIT	(39,915)	(132)	(40,047)

The restatement had no impact on the results for the year ended 31 December 2012.

Additionally, the weighted average number of shares used in the calculation of earnings per share has been adjusted to exclude the shares held by the EBT as described in Note 11 to the consolidated financial statements.

Company information

Directors

Tim Hearley, Non-Executive Chairman
Lina Haidar, Chief Executive Officer
Pierantonio Tassini, Chief Operating Officer
Alexander Haly, Non-Executive Director

Company secretary

Tim Hearley

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