IGas Energy

Annual report and accounts **2013/14**

"We strive for continuous improvement in informing and educating, listening and innovating."

Who we are

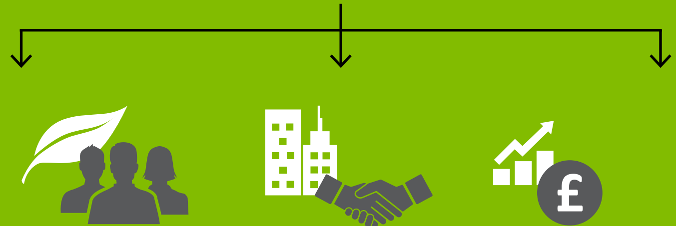
IGas Energy plc is a leading onshore oil and gas exploration and production business, with licences to explore for oil and gas across the country including the North West, East Midlands, the Weald Basin in southern England and the northern coastal area of the Inner Moray Firth in Scotland.

The business has more than thirty years' experience of successfully and safely extracting oil and gas onshore in Britain, which has one of the strictest regulatory regimes in the world.

We are a British business and employ 161 staff around the country, many of whom live and work in the areas in which we operate.

Creating shared prosperity

We believe in contributing to Britain's energy independence for generations to come.



We are committed to the environment and providing safe and healthy working conditions for our employees and contractors.

We are committed to maintaining close and responsive relationships with the communities in which we operate and we have a long track record of engaging with local residents.

We have operated our own Community Fund for a number of years which has committed to funding local projects that are charitable, educational or benevolent in purpose.

30 years

IGas has more than thirty years' experience of successfully and safely extracting oil and gas onshore in the UK

161

Number of staff

Financial highlights[1,5]

Revenues of £75.9m (2013: £68.3m)

Total Production c.1.0 mmboe (2013: c.0.9 mmboe)

EBITDA[2] of £34.3m (2013: £32.3m)

Underlying operating profit[3] of £20.3m (2013: £22.1m)

Net profit/(loss) before tax of £2.3m (2013: (£6.0m))

Net cash from operating activities £25.2m (2013: £28.9m)

Cash and cash equivalents at 31 March 2014 were £28.3m (2013: £9.8m)

Net debt of £80.4m[4] (2013: £77.4m)

Completed issue of US$165m secured bonds in April 2013, and issued US$30m unsecured bonds in December

Operating highlights

Farm-out agreement with Total E&P UK Limited ("Total") signed, under which Total acquired a 40% interest in PEDL 139/140 Licences. Total will fund a fully carried work programme of up to US$46.5m, with a minimum commitment of US$19.5m. IGas was appointed operator on the Licences with an increase in equity interest to 14.5%.

Exploration well successfully completed at Barton Moss, Eccles. Full laboratory analysis of the cores is underway, the results of which are expected in the autumn.

Following completion of seismic acquisition for PEDL 139/140 we are now implementing a programme to acquire c.100km² of 3-D seismic data in the North West with a view to firming up several potential exploration and development sites in the area.

Acquisition of Caithness from Caithness Petroleum plc for £7.9m (including assumed borrowings and closing adjustments) which was financed by issuing 7,488,301 Ordinary Shares.

Progress on 'Chase the Barrels' initiative continues with a focus on sustainable long term production enhancements.

Post year end proposed acquisition of Dart Energy Limited valuing the total share capital of Dart, on announcement, at approximately A$211.5m on a fully diluted basis (being equivalent to £117.1m).

Notes

1 On 28 February 2013, the Company completed the acquisition of PR Singleton from Providence Resources plc and therefore the 2013 results reflect one month's contribution from PR Singleton.

2 EBITDA relates to earnings before gains/(losses) on oil price derivatives, net finance costs, tax, depletion, depreciation and amortisation, acquisition costs and impairment of exploration and evaluation assets.

3 Underlying operating profit excludes the gains/(losses) on oil price derivatives, acquisition costs and impairment of exploration and evaluation assets.

4 Net debt is borrowings less cash and restricted cash.

5 On 6 December 2013, the Company completed the acquisition of Caithness Oil Limited and therefore the 2014 results reflect four months' contribution from Caithness Oil.

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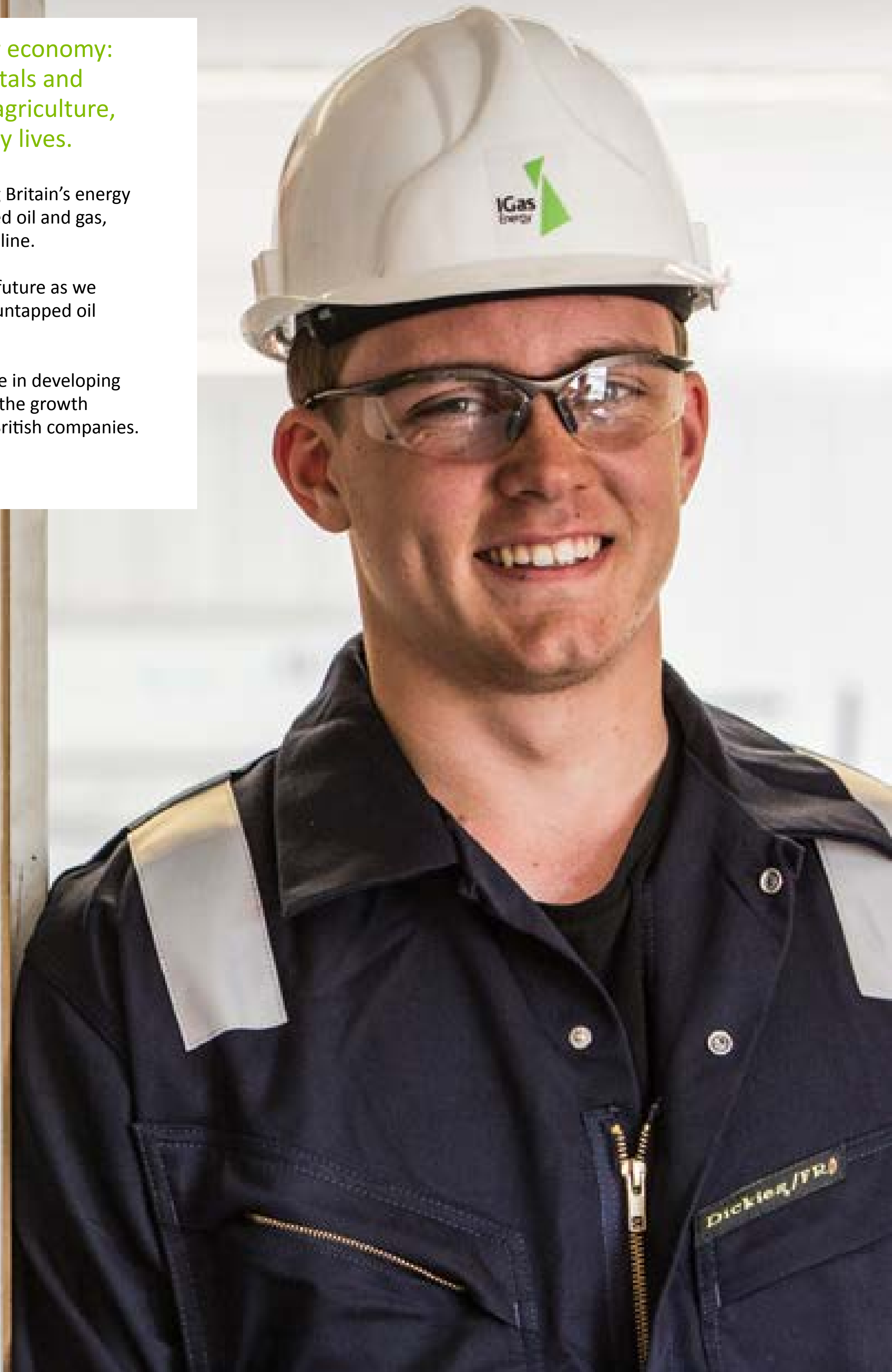
For more information visit:
www.igasplc.com

OUR PURPOSE



Energy is the foundation of our economy: from heating our homes, hospitals and schools to manufacturing and agriculture, energy is a vital part of our daily lives.

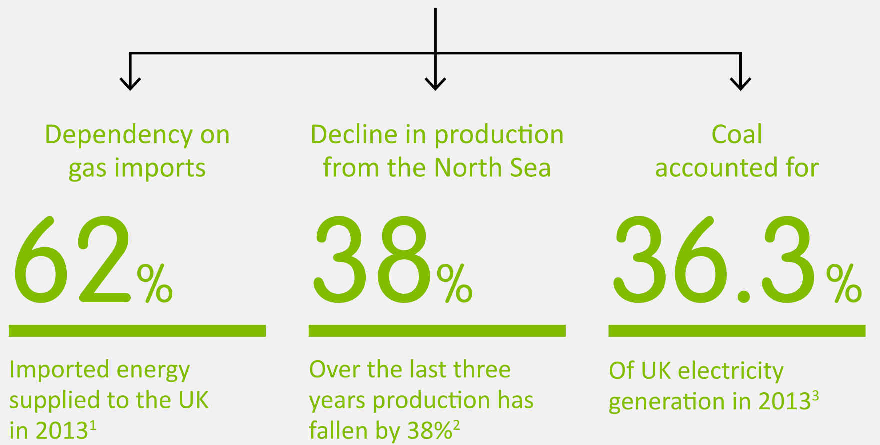
At IGas we are at the heart of diversifying Britain's energy mix and reducing our reliance on imported oil and gas, as North Sea production continues to decline.

IGas is extremely well positioned for the future as we move closer to unlocking Britain's as yet untapped oil and gas resources.

IGas is committed to playing an active role in developing the onshore supply chain and to support the growth opportunity of shale gas particularly for British companies.

IGas is committed to playing an active role in developing the onshore supply chain and delivery mechanisms to support the growth opportunity of shale gas particularly for UK companies.

Britain's current energy challenges



How we plan to deliver

Our strategy is aimed at building a material onshore energy company in Britain in collaboration with the communities in which we operate. We believe that supporting and sustaining these communities is fundamental to delivering more domestic production. The Company is focused in three areas;

We have a top-quality management team with the operational and technical capability to deliver our strategy.

Our Values
We are fully committed to preserving the environment and providing safe and healthy working conditions.

The public, and our neighbours in particular, may have questions about how our activities affect their environment and we are committed to answering those questions. We operate in many sensitive areas and are committed to preserving our landscapes and to working closely with planning and all other statutory authorities and local people to minimise the environmental impact of our operations.

Most of all, we are committed to consultation with our neighbours and interested parties.

[1] Source: DECC: UK Energy Statistics 2014.
[2] Source: Oil & Gas UK Activity Survey 2014.
[3] Source: DECC: Energy trends and prices 2013.

Game changer for Britain

Britain has a long heritage of onshore and offshore oil and gas production that dates back to 1851. Today there is a large body of evidence suggesting that natural gas from shale is a significant resource for Britain that can be extracted cleanly and safely.

The British industry

The onshore oil and gas industry in Britain has been in existence for over 150 years. Before the First World War, Britain acquired almost all its oil and gas from outside the country. Oil was discovered in Scotland in 1851 followed by gas in England in 1896 during construction of Heathfield rail station in Sussex, when natural water wells were being dug. The gas discovered was used to power the lights for the station and this gas was sourced from shale rock.

During both world wars the need for Britain to produce its own oil to help the war effort rather than rely on imports became of real importance to the Government and legislation was introduced to enable companies to explore for hydrocarbons more readily.

In 1973, the Wytch Farm Oilfield in Eastern Dorset was opened in an area of outstanding natural beauty and today it is the largest oilfield in Western Europe. At around the same time, it is believed the first hydraulic fracture in Britain was performed.

Onshore oil and gas activity started to accelerate again after the 1979 oil crisis. As prices rose, domestic production became increasingly important.

Around 2,000 wells have now been drilled onshore in Britain with about 10% of them having been hydraulically fractured. There are currently around 120 producing sites with c.300 operating wells producing in excess of 20,000 barrels of oil equivalent per day or about 1% of Britain's consumption. Approximately 250,000 barrels per day of produced water is disposed of safely under permits from the Environment Agency (EA) and Scottish Environment Protection Agency (SEPA).

As an island nation, Britain has long relied on supplementing its domestic energy reserves with imports from abroad. However, these imports also leave our economy vulnerable to forces such as changing commodity prices, as well as political instability in other key energy-producing regions of the world.

The decline in production from the North Sea saw Britain become a net importer of gas since 2004. IGas believes that energy diversity is central to Britain's stability and security in the 21st Century.

Recent technological innovations can unlock untapped resources that have the potential to contribute to Britain's energy independence for generations to come. By combining our considerable experience in onshore operations with a proven commitment to safety and the environment, IGas is well positioned to help unlock this national resource, delivering direct benefits to local communities as well as making a significant contribution to our economy and energy diversity at a national scale, as well as contributing to decarbonisation.

"In 2000, shale gas provided only 1% of US natural gas production; by 2011, it was over 34%[1]."

"The shale industry supported 1.7m jobs in 2012 and contributed US$62bn in state and federal tax revenue[1]."

[1] Source: PWC Report: Shale energy: A potential game-changer: www.pwc.com/en_US/us/industrial-products/publications/assets/pwc-shale-energy-transportation-logistics-impact.pdf
[2] Source: EY "Getting ready for UK shale gas Report" commissioned by UKOOG (April 2014): www.ukoog.org.uk/images/ukoog/pdfs/Getting_ready_for_UK_shale2_gas_FINAL2022.04.14.pdf

Estimated resources
In June 2013, The British Geological Survey (BGS) in association with The Department of Energy and Climate Change (DECC) estimated that the area between Wrexham and Blackpool in the west and Nottingham and Scarborough in the east contained 1,329 trillion cubic feet (Tcf) (in the mid case) of shale gas in place.

According to figures from the Institute of Directors (IoD), Britain's shale gas resources could supply a third of our annual gas needs and IGas believes that within its own licence area, covering 300 square miles between Manchester and Liverpool, there is likely to be in the region of 102 Tcf of gas in place (mid case). Even if only a fraction of this can be recovered, with Britain's total gas use running at 3 Tcf a year, it is clear this is a significant national resource.

Since the year end, BGS has issued a report which estimates the resources of the Jurassic shales of the Weald. The area includes large parts of Sussex, Hampshire, Surrey, and Kent, and covers the South Downs National Park and several Areas of Outstanding Natural Beauty. The report concludes there is approximately 4.4 billion barrels of shale oil (mid case) in the Weald.

Political and regulatory update
The financial year began with further recognition from the British Government of the onshore oil and gas industry's potential when, as part of his 2013 Budget, the Chancellor of the Exchequer announced a package of measures designed to facilitate investment and support the development of Britain's shale gas industry. The areas consulted on included community benefits, planning and taxation.

At the end of April, the Energy and Climate Change Select Committee published their report, *"The Impact of Shale Gas on Energy Markets"*. The report highlighted the contribution shale gas could make to Britain's energy security, helping to limit future energy price rises and its contribution to tax revenues, as well as focusing on the necessity of community engagement.

In June, DECC announced a benefits package for communities near new shale gas drilling sites. Under the proposals operators will offer local communities £100,000 per hydraulically fractured well at the exploratory stage, as well as 1% of revenues once sites become commercial, potentially worth several million pounds per site.

In October 2013, Public Health England published a report showing there is a low risk to public health of properly run and regulated shale gas extraction.

The Chancellor used his Autumn Statement in December to announce a new fiscal regime for the onshore oil and gas sector, which was subsequently enacted in the 2014 Finance Bill. The regime reduces the tax rate on a portion of a company's profits from 62% to 30% to reflect the challenges of shale gas exploration. Companies will receive an allowance equal to 75% of capital spent on projects.

Last October saw DECC publish a roadmap to provide an indicative overview of the processes involved in permitting onshore exploratory work in oil and gas development, onshore in Britain. The roadmap highlighted the extensive legislation and regulation, and identified required actions and best practices at various stages.

In January, DECC announced that Councils will be able to keep 100% of business rates generated from onshore gas extraction sites bringing onshore gas into line with renewables projects.

"The US experience indicates that the development of shale gas can help improve security of supply, and increase employment and investment that cascade into other sectors[2]."

"£33bn estimated spend to bring UK shale wells into production between 2016 and 2032[2]."

Further information can be found at
www.ukoog.org.uk/images/ukoog/pdfs/Getting_ready_for_UK_shale2_gas_FINAL2022.04.14.pdf

Our regulatory environment

Britain has one of the world's most stringent regulatory regimes for onshore and offshore oil and gas extraction.

Given Britain's long history of onshore oil and gas production, the regulatory regime the industry complies with is one of the world's most stringent.

Who regulates the onshore oil and gas industry?
We are regulated by a number of statutory bodies, including the Environment Agency (EA) in England, the Scottish Environment Protection Agency (SEPA) in Scotland and Natural Resources Wales (NRW) in Wales, the Health and Safety Executive (HSE) and the Department of Energy and Climate Change (DECC).

Before drilling a shale well an operator who, like IGas, has committed to United Kingdom Onshore Operator Group (UKOOG) guidelines, must have:

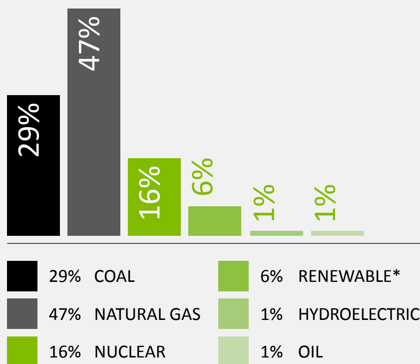
- A petroleum licence from DECC
- Permission from the Coal Authority
- Completed an Environmental Risk Assessment (ERA) Environmental Impact Assessment (EIA) even if not required by regulation
- Obtained all the appropriate environmental permits from the regional Environment Agency including Mining Waste Permits
- Notified the HSE of the well design and operation plans
- Ensured a complete examination of well design and construction by an independent and competent person (known as an independent well examiner)
- Received planning permission from the Minerals Planning Authority (MPA), local council or equivalent
- Served notification of an intention to drill on the EA under S199 of the Water Resources Act, 1991
- Apply for consent to drill from DECC, including submission of a hydraulic fracturing plan if required
- Advised the British Geological Survey

In addition, the industry is governed by 14 separate pieces of European legislation.

There are a significant number of days of statutory public consultation.

Further information can be found at
www.ukoog.org.uk/environment/regulation

UK energy production by source



29% COAL	6% RENEWABLE*
47% NATURAL GAS	1% HYDROELECTRIC
16% NUCLEAR	1% OIL

* Excluding Hydro
Energy sources UK 2010. Source: World Bank

64,500

A 64,500 jobs opportunity and a requirement to grow skills

£17bn

Specialised equipment and skills for hydraulic fracturing totalling £17bn. This sector provides a significant opportunity for UK-based oilfield service and manufacturing companies to get involved

Key benefits for Britain

The benefits of a well regulated onshore oil and gas extraction industry are significant. A viable sector has the potential to help Britain meet carbon emission targets, generate increased revenue for Her Majesty's Treasury and create a leading onshore oil and gas supply chain.

One of the key drivers for diversifying the British energy market through the exploitation of the country's onshore oil and gas reserves will be to increase energy security and thus become less dependent on imported gas. While establishing secure and reliable sources for natural gas globally becomes increasingly complex, a productive and thriving onshore British oil and gas industry could mitigate this challenge.

The sector could generate upwards of 64,500 direct, indirect, and induced jobs[1], many of which will be highly-skilled with above-UK average salaries. These jobs wouldn't be concentrated in any one area but would be spread across Britain.

At a more local level, however, it is our strong belief that the local communities that host our sites should benefit. As such, we adhere to the UKOOG community benefits scheme. This sees some of the revenue generated being reinvested into local communities to support a variety of projects and improvements.

Alongside the direct and indirect benefits, developers will also be paying increased business rates as a result of their operations, 100% of which will go directly back to local councils, again benefiting local communities.

[1] Source: EY "Getting ready for UK shale gas Report" commissioned by UKOOG (April 2014): www.ukoog.org.uk/images/ukoog/pdfs/Getting_ready_for_UK_shale2_gas_FINAL2022.04.14.pdf

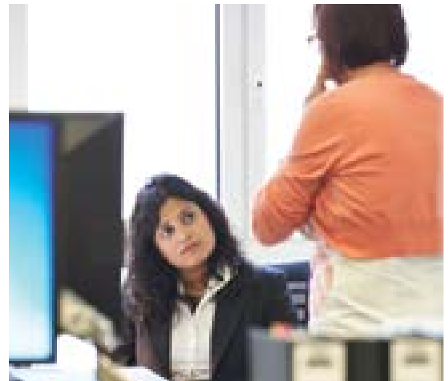
A FOCUSED PORTFOLIO

We explore and develop gas and oil reserves at onshore locations in the North West of England, the East Midlands, the Weald Basin in Southern England and the northern coastal area of the Inner Moray Firth in Scotland.

Key milestones

2007 IGas listed on the Alternative Investment Market of the London Stock Exchange.

2009 IGas started commercial sales of electricity generated from CBM.



2011 Acquisition of Star Energy and equity fundraising of £20.6m.

Signed an agreement with Nexen Petroleum UK Limited to acquire Nexen Exploration UK Limited, making our Group the operator and sole owner of all our licences.

East Midlands
c.50% current production
17 oil fields
80 sites
The East Midlands area is comprised of two primary production centres: Welton and Gainsborough.

The Welton area is made up of six fields and a gathering centre where produced oil, gas and water are separated. The produced oil is typically transported to Conoco Immingham via road tanker. Gas is used for power generation and exported to the National Grid and produced water is pumped for reinjection.

Weald Basin
c.50% current production
11 oil fields
18 sites
There are 11 fields ranging from Stockbridge, near Winchester, in the west to Palmers Wood near Gatwick in the east and now includes the Singleton field. The area has produced more than 21 million barrels of oil to date.

Oil is collected by tanker from our sites and transported to our processing facilities at Holybourne. Here we have storage for more than 20,000 barrels and a rail terminal allowing us to transport our products to local refineries by train. We also handle oil on behalf of other operators in the area, providing us with an additional revenue stream.

North West
In the North West we have seven onshore licences, located in the counties of Cheshire, Flintshire and Staffordshire, that contain the Carboniferous Coal Measures and Bowland-Hodder shales. The total area under licence in this region is 1,020km^2 (approximately 252 k.acres), where we own 100% working interest in all licences.

Caithness, Scotland
In September 2013, we acquired Caithness Petroleum Limited, a privately-owned, British independent oil and gas exploration and production company. We currently produce around 100 bopd from a single well.

2012 Acquisition of Singleton from Providence Resources.

Ince Marshes well drilled.

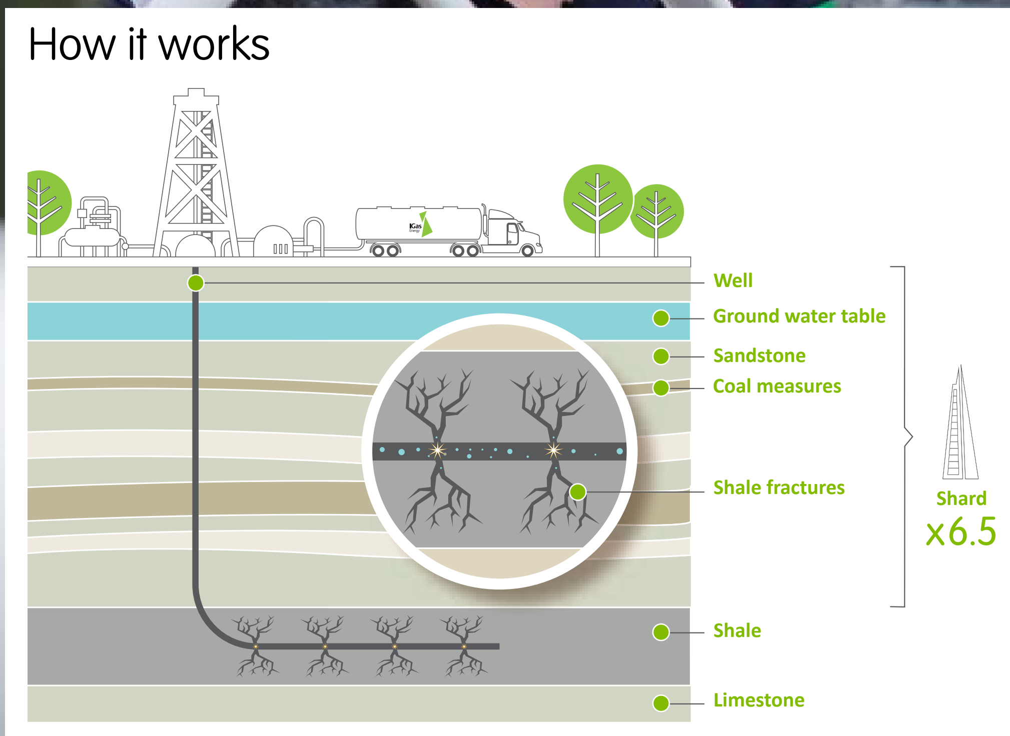
2013 Commenced exploration well at Barton Moss.

Acquisition of Caithness Petroleum.

2014 Farm out agreement with Total for work programme of up to US$46.5m.

EYES ON THE FUTURE

How it works



Gas from shale

"If safely and economically extracted, shale gas can develop a new onshore gas industry, which provides local employment and ensures a security of supply for the UK[1]."

What is shale gas?
Shale oil and gas are hydrocarbons contained within underground shale beds, a type of sedimentary rock laid down millions of years ago. This shale rock acts as the hydrocarbon source rock. Shales containing the right quantities of gas for extraction have a number of common properties such as being rich in organic material and being in an area of high heat and pressure which has allowed oil to be converted into gas.

Conventional gas reservoirs are formed when shale gas migrates into more permeable rocks from which it can naturally flow.

The gas can be held in natural fractures, open pore spaces or absorbed into organic material. Shale rock doesn't usually have the right permeability to allow significant flow of gas. Unlike drilling into a conventional reservoir where there is at least some flow of oil and gas immediately, an accumulation of shale oil or gas is produced directly from the source rock and must be stimulated in some way before it will begin to flow.

Shale gas has been produced for many years from places with natural fractures but hydraulic fracturing allows the fractures to be extended and to stimulate the oil or gas either to begin or continue flowing.

Why do we need natural gas from shale?
Britain's energy mix is changing. Coal-fired power plants are being closed to meet carbon emission targets and oil and gas production from the North Sea is declining. The growth in renewable energy sources has gone someway to fill the energy gap but natural gas remains key to ensuring that Britain continues to meet its base-load requirements whilst enjoying reliable and affordable energy with a lower carbon footprint than coal.

The best way to ensure security of supply is to source energy domestically. Much of the natural gas we currently consume is sourced from a range of locations including Norway, Russia and Qatar. With a long heritage of onshore oil and gas production dating back to 1851, the safe and responsible exploitation of Britain's onshore natural gas resources has the potential to be central in improving energy independence.

The economic case
In addition to achieving energy independence, other significant benefits of developing Britain's onshore oil and gas industry are economic. According to the recent EY Report, *"Getting ready for UK shale gas"*[1], commissioned by UKOOG, the potential opportunities include:

- UK-based oil field service and manufacturing companies providing specialised equipment and skills for hydraulic fracturing totalling £17bn
- A £4.1bn waste, storage and transportation requirement
- A £2.3bn steel requirement in Britain
- The potential for a new £1.65bn rig manufacturing industry
- A new market for existing British businesses
- A 64,500 jobs opportunity and a requirement to grow skills

3 Tcf

Britain's total gas use running at 3 Tcf a year

102 Tcf

IGas believes that within its North West licence area there is up to 102 Tcf of shale gas (mid case)

[1] Source: EY "Getting ready for UK shale gas Report" commissioned by UKOOG (April 2014): www.ukoog.org.uk/images/ukoog/pdfs/Getting_ready_for_UK_shale2_gas_FINAL2022.04.14.pdf

Producing assets

IGas currently has 30 fields with 117 oil and gas wells in Britain, producing predominantly oil.

Current production

The average net production in the twelve months to 31 March 2014 was 2,783 boepd (2013: 2,470 boepd).

Our production is evenly spread between our fields in the East Midlands in the North and the Weald Basin in the South. Following the Caithness acquisition oil production from the Lybster field has been average over 100 bopd.

We continue to identify opportunities to enhance recovery and production from our conventional fields. Our 'Chase the Barrels' initiative and other technical studies have demonstrated the potential to add new production.

Our total conventional reserves and resources have been independently assessed by Senergy this year as 23.9 mmboe (2P and 2C). In comparison, the assessment at the time of 2012 CPR by Senergy was 16.4 mmboe (2P and 2C). The 2014 figures include the 2P reserves and resources in relation to the acquisitions of Singleton (including the Baxter's Copse field) and Caithness assessed by Senergy.

The Doe Green pilot Coal Bed Methane ("CBM") site continues to produce gas which is used to generate electricity and is then exported to the National Grid.

Chase the Barrels

Progress on our 'Chase the Barrels' initiative has continued with activity to realise incremental production and opex optimisation. This has been augmented by an increasing focus on more sustainable long term production enhancements such as the pilot water flood initiatives at Welton and Beckingham. It is hoped that success in these areas will help lift reserves.

During the period, the technical team continued to evaluate a number of opportunities to increase oil production through relatively low cost well intervention and production enhancement operations. Based on comprehensive subsurface studies the most attractive short term well entry opportunities, including for example re-perforations, water shut offs and recompletions were identified, ranked and some have been implemented.

We have continued to pursue well interventions to enhance performance, examples include, workover of Stockbridge and Storrington wells to enhance production and install downhole gauges (STOR-1) to monitor reservoir pressure and optimise offtake. Similar activities have been conducted to optimise jet pump performance at various locations.

We continue to look for new innovative technology applications that may be of benefit, notable examples include the re-perforation of Glentworth-11. Other examples include running perforating tools on rods which have significant cost savings over more traditional approaches.

We have also successfully trialled the installation of a wax reduction tool in a number of wells. The results from the long Clawson C2 well suggest that we can reduce the need for "hot washing" from twenty six times per annum to just four which results in a reduction of deferred production of some 2,000 bbls per annum. This trial is to be extended to other wells which have a similar waxing issues. If successful, this will increase well up-time and reduce the need for costly workovers and associated deferred production.

The programme of work for the installation of technology to optimise rod pumping wells using Rod Pump Off Controllers (RPOC) has continued. To date we have installed 49 systems out of the initial tranche of 50. In addition to increased well uptime due to lower rod wear/breakages and associated operating expenditure savings, we have also seen a significant reduction in deferred production. Due to the success of the initial installations, we plan to extend this initiative across the portfolio where appropriate.

The pilot water flood projects at Welton and Beckingham are progressing well with surface infrastructure enabling works largely completed (intelligent pigging of existing lines, pipeline hydraulics completed, Project HAZOP, modifications to manifolds and equipment orders placed). The completions in the candidate water injection wells have been installed and commissioning of the plant is expected in the second half of the 2014/15 financial year.

There are a number of stranded gas monetisation projects that are being evaluated including Albury. Planning permission was granted earlier this year for a change of use for the Albury site, including the potential installation of a Liquefied Natural Gas (LNG) plant. This will allow natural gas production from the site to be compressed into LNG for transportation off-site. There are many uses for LNG, including as an alternative road fuel. Advanced commercial negotiations are currently nearing completion for the offtake of the LNG from the site, as a precursor to formal project sanction. The potential for using this mini LNG technology elsewhere in the portfolio as a means of monetising stranded gas is something we are actively pursuing and evaluating.

Similar studies are underway to assess how to monetise the gas potential at Lybster. Preliminary studies indicate a solution involving Compressed Natural Gas. A project team to advance this has been established.

Field development studies continue aimed at increasing ultimate recovery and reserves and identifying infill well drilling opportunities.

21 mboe

Based in southern England, the Weald Basin consists of 11 fields within which there are 18 production sites and 21 million barrels of oil have been produced to date

47 mboe

The East Midlands area under licence consists of 17 oil fields and 80 sites and has produced more than 47 million barrels of oil to date

SUCCESSFUL ENERGY PRODUCER

"Our vision is to be the leading onshore independent British company developing and producing discovered hydrocarbons."

I am delighted to report on a year of material developments for both IGas and the wider onshore oil and gas industry in Britain.

Production has been in line with budget, we have acquired an additional producing asset in Scotland, successfully completed an exploration well in the North West and have a significant forward programme for both our existing producing assets as well as shale and coal bed methane appraisal.

During the course of the year there has been meaningful progress made in developing the regulatory and associated framework to support shale gas development. The Government has now put its full support behind shale gas and there is a broad cross party consensus in favour of its development in Britain. As part of this progress the Government is putting in place a considerable number of measures whereby local communities will benefit directly from shale activity, starting at the exploratory phase and increasing very substantially in the event of commercial production.

Recent studies in Britain by a number of eminent institutions and individuals including the Royal Society and Royal Academy of Engineering, Public Health England, the Chartered Institute of Water and Environmental Management and Professor David Mackay and Dr Tim Stone have all concluded that any potential risks associated with hydraulic fracturing can be managed in a properly regulated industry.

Financial results

Revenues attributable to oil and gas production during the period were £75.9m (2013: £68.3m) on production of c.1.0 mmboe (2013: c.0.9 mmboe).

EBITDA[2] for the year to 31st March 2014 was £34.3m (2013: £32.3m) and we made a net profit of £2.3m against a loss in 2013 of £6.0m.

The Company ended the period with £28.3m of cash and cash equivalents (2013: £9.8m), net debt of £80.4m (2013: £77.4m) and net current assets of £74.3m (2013: £59.1m).

We completed a successful refinancing of the Macquarie debt through the completion of US$165m five year term bonds in April 2013, which listed on the Oslo Børs in September. In December we completed the arrangement of a US$30m senior unsecured bonds issue, which were listed on the Oslo alternative bond market shortly thereafter.

Operational review

In December 2013 we acquired Caithness Oil Limited, a producing asset in Scotland, with upside potential through the monetisation of associated gas. This is in line with our strategy of supplementing organic growth with acquisitions that have a complementary fit with the business.

Earlier this year IGas, along with our partners Egdon Resources, Dart Energy and eCorp signed a Farm-out Agreement with Total E&P UK Limited for a fully funded work programme of up to US$46.5m on two of our licence areas in the Gainsborough Trough in Lincolnshire. IGas became operator of the licences on completion of the deal in February and unusually increased its interest in the licence through the transaction.

The entry of the first super major into British shale gas licences is a further endorsement of the potential that exists following the commitments by Centrica and GDF Suez to other UK acreage, and demonstrates strong support for our operating capability.

We completed drilling operations at our exploration well at Barton Moss in Eccles in a safe and environmentally responsible manner. The well encountered the coal measures at anticipated depths and also found a package comprising the Sabden and Bowland Shale formations.

With three decades of experience of onshore exploration and developments in Britain, the IGas Group is well aware of the challenge of managing both above and below ground risks. The former, in particular, have grown in complexity more recently as we are rightly being held ever more accountable for the impact of our operations.

We are investing heavily in building our organisational capabilities, continuously seeking to improve our understanding, engagement and social performance. We are determined to maximise local business opportunities and are committed to engaging with the communities in which we operate with integrity and transparency.

People

Enabling people to fulfil their potential is central to achieving both our strategy and our vision of creating shared prosperity for our shareholders, our staff and the communities with whom we work. Our workforce now totals 161 people. We remain focused on building capacity in our areas of operation and creating local employment opportunities.

The contribution and efforts of the executive team at IGas has led to significant value creation for your Company over the last year and I would like to commend them particularly on this result.

I would also like to thank all of our employees and contractors for their hard work and commitment to the future success of the Company.

Outlook

The global appetite for energy continues to grow. Domestically, North Sea oil and gas output has fallen by 38% over the last three years and by 2020 Britain is set to be reliant on imports to meet 70% of the country's gas needs. The vulnerability of energy supplies has also been exposed by international political unrest. When it comes to security of supply, there is a pressing need for solutions and we believe we have successfully positioned IGas to be part of the solution.

Since the year end, as part of our strategy to secure access to more resources, we have announced the proposed acquisition of Dart Energy which will create a market leading onshore British oil and gas company with the largest area in Britain under licence of over 1 million net acres, including a presence in each of Britain's major shale basins.

We also intend to be an active participant in the 14th UK Onshore licensing round which is currently expected to be announced around mid-year.

Your Board remains committed to creating long-term sustainable value for all of our stakeholders.

Francis Gugen
Non-Executive Chairman

£75.9m

Revenue (2013: £68.3m)

[2] EBITDA relates to earnings before gains/(losses) on oil price derivatives, net finance costs, tax, depletion, depreciation and amortisation, acquisition costs and impairment of exploration and evaluation assets.

Q&A

What difference do you think the onshore industry could make to Britain?

Britain needs to secure its future energy mix and offset declining North Sea production. Whilst doing this, it must also reduce carbon emissions from reliance on coal power and ensure an affordable future energy supply for consumers. Gas is vital to Britain, it currently provides more than 80% of our heating needs and around 30% of our electricity generation.

The benefits of the shale industry will be felt across the country in lower imports, higher revenues to the Exchequer, job creation, supply chain development and energy security.

What are the key challenges faced by IGas and other operators?

It is a combination of both above surface and below surface. Above surface is about showing the public that this can be carried out safely and responsibly. Onshore oil and gas regulation in Britain has been recognised as an exemplar by the rest of the world oil and gas has for over three decades been safely explored, developed and produced onshore at IGas sites.

Below surface, while we know there is gas, we still need to establish that we can we make it flow at commercially viable rates. Britain has several advantages over the US because of our existing infrastructure, density of resource and clarity of regulation.

Can an onshore gas industry ever have sufficient scale to be material like the North Sea was in the last century?

Yes I believe it can. Aberdeen welcomed the development of a new offshore industry and the city grew to become the energy capital of Europe and now exports its expertise globally. We could see this replicated onshore in the areas in which we operate.

According to the IOD Report, based on a recovery rate of 10% the combined gas in place estimates of the exploration companies would equate to a recoverable resource of 30.9 trillion cubic feet, nearly two thirds of Britain's potentially recoverable conventional gas resources.

North Sea tax revenues have been considerable, accounting for more than 5% of total government receipts for much of the 1980s. Shale gas production could also generate significant tax revenue for the country.

What value could this unlock for shareholders? How would such growth be funded?

This represents a tremendous opportunity to be at the forefront of new and potentially significant industry. On completion of the Dart Energy acquisition, IGas will have the materiality and scale that will enable it to find partners at the asset level to help supply the capital that exploiting these resources will require, while retaining the position of operator of choice.

How does IGas engage with communities and ensure their concerns are listened to?

We engage in a number of ways using traditional methods such as face to face meetings, exhibitions, information days and direct mail as well as digital and social media such as microsites for local projects. We run a public information line as well as a freepost address and online enquiries so that the public can reach us through whichever medium they feel most comfortable with.

What role does onshore gas have in decarbonizing the British economy? Is it consistent with our climate change targets and renewable industry policies?

Natural gas is a vital component of Britain's energy mix – not only electricity for generation but also for heating and cooking.

According to the European Commission's landmark 'Energy Roadmap 2050' report, gas must play a key role in the transition to a greener energy future, and is critical for the transformation of Europe's energy system from fossil fuel to renewables. Gas produced locally would generate lower emissions than imported gas, as it doesn't have to be transported from places like Russia and Qatar. Gas also produces half the CO^2 generated by burning coal, which currently accounts for 31% of Britain's electricity. Developing our shale resources will help us move away from coal and decarbonize our economy.

Who regulates IGas's activities?

The industry is regulated by a number of statutory bodies including the Environment Agency (EA) in England, Scottish Environment Protection Agency (SEPA) in Scotland and Natural Resources Wales (NRW) in Wales, Health and Safety Executive (HSE) and the Department of Energy and Climate Change (DECC). Onshore oil and gas regulation in Britain has been recognised as an exemplar by the rest of the world. In addition the industry is governed by 14 separate pieces of European legislation.

What are the wider community benefits of IGas's operations?

We are committed to the environment and the communities in which we operate and we have a long track record of engaging with local residents and we operate our own Community Fund.

There is a much wider opportunity for communities in addition to the direct community benefits of £100,000 when wells are tested and 1% of revenue at production. DECC has announced that Councils will be able to keep 100 per cent of business rates generated from shale gas extraction sites. Together these benefits are potentially worth several million pounds.

As we proceed with the exploration of shale there is an opportunity for local and national businesses of all sizes in the supply chain. The recent EY Report "*Getting ready for UK shale gas*", commissioned by UKOOG, has highlighted an enormous opportunity for Britain with potentially £33bn spend in the next 15 or so years. The report also outlines the need for some 64,500 jobs (direct, indirect, induced) at peak production.

IGas
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"Managing trust locally, while addressing the national energy challenge and in the process, potentially creating a new industry has to be the heart of planning for 2014/15."

This has been another successful year for IGas. We continued to deliver our strategy of becoming the leading onshore independent company developing and producing discovered hydrocarbons in Britain.

We have seen further growth in the business whilst constantly maintaining our focus on operational excellence. The recent announcement of the proposed acquisition of Dart Energy will create a British national energy champion with a track record of drilling wells safely and on budget, placing the enlarged group in a strong position to deliver on its existing asset base and for future licensing rounds.

Confidence in British shale has been demonstrated over the period by Centrica's investment into Cuadrilla's acreage, which is situated close to our licences in the North West, GDF Suez's farm-in transaction with Dart Energy, whose acreage is located immediately to the South of our acreage in the North West and adjacent to our licences in the East Midlands and our own farm-out agreement with Total E&P UK Limited in our PEDL 139/140 Licences located in the Gainsborough Trough.

During the year significant progress has been made in developing the regulatory and associated framework to support shale gas development.

In June 2013, the DECC announced a benefits package for communities near new shale gas drilling sites. Under the proposals operators will offer local communities £100,000 per hydraulically fractured well when wells are tested, as well as 1% of revenues once sites become commercial. The industry, under the umbrella of the United Kingdom Onshore Operators Group (UKOOG), the representative body for UK onshore oil and gas companies, subsequently launched a pilot scheme, for the first few exploration sites. The scheme will be in partnership with UK Community Foundations (UKCF), which works for communities through a UK-wide network of community foundations, to independently administer the funds on behalf of the community. UKOOG has also launched a consultation programme across a range of stakeholders to gauge community opinion on a number of different potential schemes to create a community benefit mechanism to distribute the 1% share of production revenue.

The EA has published draft technical guidance for onshore oil and gas exploration drilling, covering both conventional and unconventional targets. This consultation closed on 23rd October 2013. The EA has announced that it will develop a single application pack for all Environmental Permit Regulators including mining waste and NORM (naturally occurring radioactive materials), to streamline the existing processes.

In September 2013, the Government published the Mackay Stone report compiled by Professor David MacKay, chief scientific advisor at DECC, and Dr Tim Stone, Special Advisor to the Secretary of State, into the subject of greenhouse gas emissions from shale gas operations. The report concluded that, with the right safeguards in place, the net effect on greenhouse gas emissions from shale gas production in Britain will be relatively small and is likely to have a greenhouse gas footprint similar to other fossil fuels that society currently depends on.

Public Health England released a report in October on the potential public health risks from shale gas production. The report states that properly run and regulated shale gas extraction represents a low risk to public health.

In the Autumn Statement the Chancellor announced a new fiscal regime for the onshore oil and gas sector. The regime reduces the tax rate on a portion of a company's profits from 62% to 30% to reflect the challenges of shale gas exploration. Companies will receive an allowance equal to 75% of capital spent on projects.

In January 2014, DECC announced that local councils will be able to keep 100% of business rates generated from onshore production sites bringing new sites into line with renewables projects.

Our business model

"The shale gas revolution… can be very consistent with low-carbon development… Gas can be very helpful as a bridge technology."

Ottmar Edenhofer, co-chairman of the IPCC report and professor of climate change economics at the Technical University Berlin.

Exploration well at Barton Moss

At the end of November 2013 we spudded an exploration well at Barton Moss in Eccles, Greater Manchester.

The primary objective of the well was to take rock samples which will enable us to understand what is beneath the surface more fully and thereby identify the resource potential in the underlying geological formations.

We worked extensively throughout the project with the various authorities to ensure the safety of everyone on and around site including protestors and neighbours.

As with all our operations our relationship with local residents was vital to us. At Barton we worked with a community liaison group in the area since we were originally granted planning permission back in 2010.

We put in place a comprehensive relationship programme including a community information day last September ahead of the commencement of the operation and we launched a microsite www.igas-barton.co.uk to ensure that as many people as possible could view and understand the work that we were carrying out in the area.

We believe the onus is on operators to ensure that the public are informed as to the safe extraction of oil and gas resources. During the exploration project at Barton we continued to inform and explain with regular newsletters, updates to the microsite and a drop-in community Q&A surgery session attended by senior members of the IGas team.

To learn more about the exploration well at Barton Moss online visit:
www.igasplc.com/our-operations/where-we-operate/north-west

More recently, the latest Intergovernmental Panel on Climate Change (IPCC) Report stated that shale gas can help the world to avoid dangerous climate change if it replaces coal in power stations.

Operational review

Producing assets

The average net production in the 12 months to 31 March 2014 was 2,783 boepd (2013: 2,470 boepd).

We have made good progress on our 'Chase the Barrels' initiative and during the period, the technical team has investigated a number of opportunities to increase oil production through relatively low cost well intervention and production enhancement operations. Comprehensive subsurface studies were carried out to identify and rank the most attractive short term well re-entry opportunities, including for example re-perforations, water shut offs and recompletions.

Caithness

In December 2013, we acquired Caithness Oil (which includes a 100% interest in the Lybster field), a subsidiary of Caithness Petroleum Limited, a privately-owned British independent oil and gas exploration and production company for a total consideration of £7.9m (including assumed borrowings and closing adjustments) paid through the issue of 7,488,301 shares.

The Lybster field was discovered in 1996 by Premier Oil and was put into production in May 2012. The oil is currently transported and sold to facilities at Nigg. We have carried out routine workovers on the well and production has averaged over 100 bopd.

This acquisition represented a good opportunity to increase our existing production and one that offers significant upside potential through gas monetization of up to 2 mmscf/d of associated gas as well as additional upside through utilisation of significant existing tax losses.

North West

Last June we released our estimated volume of Gas Initially In Place associated with the Shales in the North West, including the Bowland Shale, at up to 102 Tcf (in the midcase).

We constructed a geological model utilising 330kms of reprocessed seismic lines, subsurface data (including cores, logs) from c.20 offset wells and geological data from our well at Ince Marshes. This data has been analysed to give estimates of the reservoir characteristics of the shale formations and the thickness of the shale. These estimates cover an area of 300 square miles giving an average mid case in place volume of c.340 Bcf/square mile with a range of 93 Bcf/square mile to 677 Bcf/square mile across our North West acreage. As part of our drilling programme to further refine these estimates we successfully drilled an exploration well at Barton Moss in Eccles, Greater Manchester over the winter.

Exploration well at Barton Moss

The operation commenced in November 2013 and the drilling was completed in March and on budget.

The well encountered the coal measures at anticipated depths and also successfully intersected the secondary target of the Dinantian limestone to calibrate the seismic data and in doing so, the well also found a package comprising the Sabden and Bowland Shale formations. Over 400 feet of core was acquired across the shale intervals and a full suite of wire line logs was run which together with the core data will be used to further evaluate the prospectivity of both the shale interval as well as the coal measures.

The well is now suspended and full laboratory analyses of the cores is underway the results of which are expected in the late Autumn. The results from the core analyses together with the wireline log data will be integrated and utilised to determine the next steps in the appraisal process. The core data will be very beneficial in understanding the geomechanical aspects of the shales and this will help provide key data to optimise the design of any future programme involving hydraulic fracturing of the Bowland Shale.

We are now in the process of implementing a programme to acquire c.100km^2 of 3-D seismic data in the North West with a view to firming up several potential exploration and development sites in the area, prior to the drilling of our next well. This 3-D seismic will also be fully compliant with UKOOG Shale Gas guidelines, the recommendations of the Royal Society and Royal Academy of Engineers and the requirements of the DECC consent process prior to any shale gas hydraulic fracturing and flow testing operations being undertaken. This data will inform any future hydraulic fracture design and help to ensure minimal environmental impact.

East Midlands – PEDL 139/140

In February, IGas and our partners Egdon Resources, Dart Energy and eCorp announced a Farm-out Agreement with Total E&P UK Limited ("Total"), under which Total acquired a 40% interest in the PEDL 139/140 Licences. Total will fund a fully carried work programme of up to US$46.5m, with a minimum commitment of US$19.5m. The Licences cover an area of 240km^2 and border PL178 and PEDL 006 at Beckingham, one of our existing producing fields. We were appointed operator on the Licences at completion, which together with the increase in our own equity holding as a result of the farm-out, is an endorsement of the value of our operating capability.

The programme will include the acquisition of 3-D seismic; the drilling and testing of a vertical exploration well and associated well pad construction; and, conditional on the success of the testing of the exploration well, the drilling and testing of a second appraisal horizontal well.

We have now completed our 3-D seismic acquisition on PEDL 139/140 on behalf of our joint venture partners. Accordingly, we will now appraise the results with a view to site selection, before preparing both an Environmental Risk Assessment and subsequently a full Environmental Impact Assessment for the identified exploration well. In parallel, a comprehensive community engagement programme in the selected area is being implemented.

Health & Safety

Nothing is more important to IGas than safety – from our people and the communities in which we operate, to the integrity of the assets and facilities that we manage and operate.

I am delighted that we have been awarded a RoSPA Gold Award for the eighth consecutive year and have had no lost time incidents through the period.

IGas in the community

Supporting and sustaining the communities in which we operate is fundamental to our success and communicating with our neighbours is an essential part of our everyday operations.

We have now announced the successful recipients of the 2014 round of our IGas Energy Community Fund. This independently administered fund was established to help local communities located close to the oil and gas exploration and production sites where we operate.

Share Incentive Plan

In 2013 we introduced an Inland Revenue approved all-employee Share Incentive Plan ("SIP") to encourage wider share ownership amongst staff and to reward the achievement of quarterly production forecast targets with company sponsored 'matching shares'. Under the plan, employees contribute up to £150 per month (£125 per month prior to April 2014) from their gross salary which is used to acquire shares in IGas, which are held in Trust to benefit from income and capital gains tax allowances.

Following the initial subscription and matching award in March 2013, the Company has subsequently made 2-for-1 matching contributions in 3 of the 4 quarterly periods, reflecting the successes there have been with production. Employees who have made the maximum contribution since inception have now contributed £3,000 towards the plan and in addition to their holding of 3,475 'Partnership' shares, also hold 6,498 performance-related Company 'matching' shares, with a combined value in excess of £13,000.

The scheme has already won two awards: the ESOP Best Employee Share Ownership Plan for companies with fewer than 1,500 employees and the IFS Proshare Best Commitment to Employee Share Ownership (Small Company).

Outlook

In addition to exploration wells it is our intention, in conjunction with partners, to drill and flow test wells during 2015 on either side of the Pennines; one in the North West, and one in the East Midlands, subject to being able to obtain all the necessary permits in place. The acquisition of c.100km^2 of 3-D seismic surveys is underway across the North West with a view to confirming suitability of potential exploration and development sites in the area.

Our 'Chase the Barrels' initiative continues to help us get the most out of our producing assets and work continues on an increasing number of gas monetisation opportunities. The results of technical work designed to produce a detailed understanding of our producing reservoirs is being used to develop work programmes which will continue this coming year. If successful, these programmes will offset natural decline and support current production. We also continue to identify infill drilling opportunities.

The proposed acquisition of Dart Energy will be voted on by both sets of shareholders in the coming weeks. With their support, the combined asset base of the businesses would reinforce our position at the heart of unlocking Britain's energy potential and further demonstrates our commitment to, and confidence in, the British onshore oil and gas sector. The transaction would further strengthen our position financially, operationally and also significantly increase our licensed acreage.

We are committed to delivering both existing and potential hydrocarbons across the country in partnership with local communities, as we work together to unlock what could be a strategically important resource for Britain.

Andrew Austin
Chief Executive Officer

The industry has pledged to give communities £100,000 for test drilling sites

IGas and the environment

Our desire to sustain and enhance the environments in which we operate means that we work in collaboration with local communities and other organizations involved in preserving and protecting local flora and fauna.

On every site IGas works hard to ensure its operations have minimum impact on the surrounding land and our neighbours. Key to this is a thorough understanding of the starting position for the site in terms of the prevailing environment. IGas works with independent environmental consultants, to assess our sites both before work starts and throughout the life of the project.

At our exploration site at Barton Moss we carried out a series of tests to understand the condition of air, water and soil on site. This information provided a baseline against which we could measure our ongoing operation. Monitoring of the site continues after demobilisation.

"The acquisition of Caithness Oil Limited represented a good opportunity to increase the Group's existing production and offer significant upside potential through gas monetisation."

The year ended 31 March 2014 has been another extremely active year for the IGas Group, including the completion of the US$165m secured bond issue in April 2013, which was subsequently listed on the Oslo Bors in September 2013, the completion of the acquisition of Caithness Oil Limited ("Caithness") and the arrangement of US$30m unsecured bonds.

On 6 December 2013, the Company completed the acquisition of Caithness from Caithness Petroleum plc for £7.9m (including assumed borrowings) which was financed by issuing 7,488,301 Ordinary Shares. The acquisition represented a good opportunity to increase the Group's existing production and offer significant upside potential through gas monetisation. Caithness also came with significant existing tax losses.

£34.3m

EBITDA (2013: £32.3m)

In December 2013, the Company issued US$30m of unsecured bonds, which were shortly thereafter listed on the Oslo alternative bond market. The bonds have a 5 year tenure carry a fixed interest of 10% p.a., payable semi-annually, and have a borrowing limit of US$60m. The proceeds from the bond issue will be used for general corporate purposes, including gas monetisation.

Income Statement[1,3]

The Group recorded revenues of £75.9m in the year (2013: £68.3m), £65.5m excluding 3rd party oil of £10.4m (2013: £61.0m). As stated above, the Group completed the acquisition of Caithness Oil on 6 December 2013 and therefore the income statement includes approximately four months' contribution from Caithness.

Group production in the year was 1,015,866 boe, representing an average of 2,783 boepd (2013: 2,470 boepd).

If the Group had owned Caithness since 1 April 2013, Group production would have averaged 2,838 boepd for the year ended 31 March 2014.

The average realised price per barrel pre-hedge was £66.5 (US$106.1) (2013: £69.4 (US$109.6)) with narrow discounts to Brent continuing to be achieved. After taking into account the cash effect of hedging, which amounted to an average of £2.0 (US$3.2) per barrel (2013: £6.9 (US$10.9)), the average realised oil price was £64.5 (US$102.9) (2013: £62.5 (US$98.7)) per barrel. The Company has now changed the way in which it hedges oil production through the use of zero cost collars and therefore this cost is expected to be reduced moving forward.

Cost of sales of £47.9m (2013: £38.0m), includes depreciation, depletion and amortisation ("D,D&A") of £13.9m (2013: £10.0m) and operating costs of £34.1m (2013: £28.1m) including £9.9m in relation to third party oil (2013: £7.0m) and £1.1m in relation to Caithness. Operating costs per barrel of oil equivalent ("boe") were £23.3 (2013: £21.6), excluding costs associated with third party oil. Operating costs include transportation costs of £2.84/boe (2013: £3.15/boe) and the costs of our well service team of £3.45/boe (2013: £2.89/boe). Net back per boe (on an Income Statement basis) were US$56.3 (£35.3) (2013: US$62.0 (£39.3)).

	Year to 31 March 2014[1]	Year to 31 March 2013[5]
Revenues	**£75.9m**	£68.3m
EBITDA[2]	**£34.3m**	£32.3m
Underlying operating profit[3]	**£20.3m**	£22.1m
Profit/(loss) before tax	**£2.3m**	(£6.0m)
Net cash from operating activities	**£25.2m**	£28.9m
Net debt[4]	**£80.4m**	£77.4m
Cash and cash equivalents	**£28.3m**	£9.8m
Net assets	**£74.3m**	£59.1m

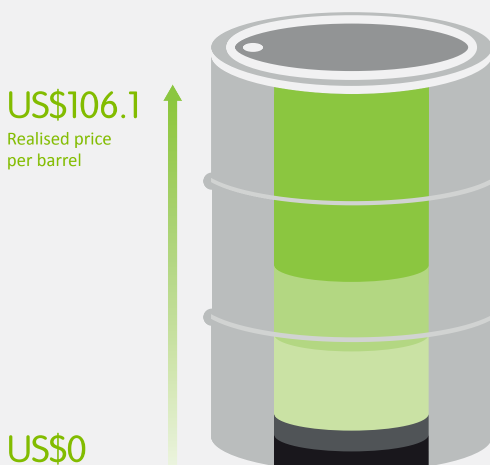
Notes
1 On 6 December 2013, the Company completed the acquisition of Caithness Oil Limited and therefore the 2014 results reflect approximately four months' contribution from Caithness Oil.
2 EBITDA relates to earnings before gains/(losses) on oil price derivatives, net finance costs, tax, depletion, depreciation and amortisation, acquisition costs and impairment of exploration and evaluation assets.
3 Underlying operating profit excludes the gains/(losses) on oil price swaps, acquisition costs and impairment of exploration and evaluation assets.
4 Net debt is borrowings less cash and restricted cash.
5 On 28 February 2013, the Company completed the acquisition of PR Singleton from Providence Resources plc and therefore the 2013 results reflect one month's contribution from PR Singleton.

Administrative expenses were £7.9m (2013: £8.4m). A charge for the impairment of exploration and evaluation assets of £3.3m (2013: £1.1m) was incurred during the year following the relinquishment of PEDLs 116, 107 and SSPL 1481 exploration licences in Staffordshire and Point of Ayr. Loss on oil price derivatives was £2.1m (2013: profit £0.9m).

Net finance costs were £12.5m (2013: £27.9m), which primarily relates to the net effect of bond interest payable (£11.6m) and loss on the fair valuation of warrants outstanding (£8.1m), offset by a net revaluation gain of £7.8m, due to the strengthening of £ sterling versus the US dollar over the past twelve months.

Other income amounted to £0.2m (2013: £0.2m).

Gross profit of £28.0m was recognised in the year (2013: £30.3m) with underlying profit[3] of £20.3m (2013: £22.1m).



US$56.3	NET BACK TO IGAS PER BOE
US$12.7	SG&A PER BOE
US$27.1	OTHER OPERATING COST
US$5.5	WELL SERVICES
US$4.5	TRANSPORTATION & STORAGE

"Group production in the year was 1,015,866 boe, representing an average of 2,783 boepd (2013: 2,470 boepd)."

Cash Flow
Cash and cash equivalents at 31 March 2014 were £28.3m (2013: £9.8m).

Cash generated from operating activities in the year amounted to £25.2m (2013: £28.9m).

On 6 December 2013, the Company raised US$28.8m by issuing unsecured bonds, as set out above.

During the year, the Group repaid £5.1m (US$8.25m) of debt principal in addition to interest of £10.6m (US$16.3m) to the secured bonds.

The Group's capital expenditure in the year ended 31 March 2014 was £14.4m (2013: £3.6m).

Balance Sheet
The Group's non-current assets increased by £7.1m during the period to £245.7m, principally due to the drilling of the well at Barton Moss and the acquisition of Caithness. The Caithness acquisition has been accounted for as a business combination by the acquisition method of accounting with an effective date of 6 December 2013, being the date the Group gained control of Caithness. Goodwill of £7.1m was added to the balance sheet due to the acquisition of Caithness.

Net debt, being borrowings less cash and restricted cash, at the year-end amounted to £80.4m (2013: £77.4m). Transaction costs of £3.7m (2013: £2.8m) associated with the debt are offset against the drawn debt within the balance sheet and will be recognised over the life of the loan in accordance with the Group's accounting policies.

A deferred tax charge of £10.3m has been incurred for the year which has been created by the recognition of certain tax losses and other temporary timing differences within the Group. This has increased the deferred tax liability to £57.7m as at the balance sheet date. As at 31 March 2014, the Group has recognised corporation tax losses of £50.5m.

Stephen Bowler
Chief Financial Officer

£28.3m

Cash and cash equivalents (2013: £9.8m)

The Group constantly monitors the Group's risk exposures and reports to the Audit Committee and the Board on a regular basis. The Audit Committee receives and reviews these reports and focuses on ensuring that the effective systems of internal financial and non-financial controls including the management of risk are maintained. The results of this work are reported to the Board, which in turn performs its own review and assessment.

The principal risks for the Group can be summarised as:

- The Group is exposed to planning, environmental, licensing and other permitting risks associated with its operations and, in particular, with drilling and production operations. The Group considers that such risks are partially mitigated through compliance with regulations, proactive engagement with regulators, communities and the expertise and experience of its team.

- The Group is exposed to risks associated with geological uncertainty. No guarantee can be given that oil or gas can be produced in the anticipated quantities from any or all of the Group's assets or that oil or gas can be delivered economically. The Group considers that such risks are mitigated partly given that its producing assets are located in established oil and gas producing areas coupled with the extensive expertise and experience of its operating staff.

- The Group is exposed to market price risk through variations in the wholesale price of oil in the context of the production from oil fields it owns and operates. The Group has hedged a total of 757,000 barrels over the period to 31 March 2015, through simple Put and Call options at zero cost (collars). Going forward, the Board will seek to underpin the Group's future cash flows by entering into a combination of Put and Call options structured at zero cost for baseline production to cover on average 12 months forward. The Board will continue to monitor the benefits of such hedging.

- The Group is also exposed to market price risk through variations in the wholesale price of gas and electricity in the context of its future unconventional production volumes. Currently the Group has not entered into any forward contracts to fix the prices of these commodities. The Board will continue to monitor the benefit of entering into such contracts at the appropriate time.

- The Group is exposed to exchange rate risk through both its major source of revenue and its major borrowings being priced in US$. The sterling denominated oil price Puts have been taken out in order to mitigate this risk as it affects the need to fund operating and administration costs which are normally paid in pounds sterling.

- The Group is exposed, through its operations, to liquidity risk, which is managed by the Board who regularly review the Group's cash forecasts and the adequacy of available facilities to meet the Group's cash requirements.

- The Group is exposed to capital risk resulting from its capital structure. However, the capital structure is continually monitored to ensure it is in line with the business needs and ongoing asset development. Further details of the Group's capital management policy are disclosed in note 23 to the consolidated financial statements.

- The Group is exposed to Political risk. This can include changes in Government or the effect of local or national referendum. These political risks can result in changes in the regulatory or fiscal environment (including taxation) which could affect the Group's ability to deliver its strategy. However, through UKOOG and other industry associations the Group engages with government and other appropriate organisations to ensure the Group is kept abreast of expected potential changes and takes an active role in making appropriate representations.

- The Group is also exposed to a variety of other risks including those related to:
  - operational matters (including cost increases, availability of equipment and successful project execution);
  - competition;
  - key personnel; and
  - litigation.

ENGAGED & COMMITTED

Harnessing our experience to safeguard the environment

At IGas, we are committed to the environment, our employees and the communities in which we operate.

Summary

Over the course of the year we have worked alongside an array of groups, organisations and officials including a number of Community Liaison Groups, planning officials, the Health and Safety Executive (HSE), the Environment Agency (EA), the Department for Energy and Climate Change (DECC) and the United Kingdom Onshore Operators Group (UKOOG). A key tenant of these efforts is to inform those responsible for regulating our operations and communicating our activities to local communities.

In addition to this work, we also work with a range of other partners and the wider industry to share best practice and to maintain and improve our environmental and safety standards.

Our people

Our continued growth and development as a company is dependent on us recruiting and retaining the highest calibre of employee. Building on the skills of our team is an integral part of this and, due to us operating in several locations, we play a part in supporting local employment and local economies the length and breadth of Britain.

As of March 2014, we had 161 employees (excluding Directors and Non-Executives) of which 39 (24%) were women. We recently employed two graduates and have three apprentices at different stages of their training. In addition, we identified opportunities for six interns in the last year and recruited six entry level trainee operators our Southern operations.

We have over 90 employees engaged in production, maintenance and well servicing operations across our sites and the average service for that group is now over 11 years. Drivers and vehicle maintenance are still over 12 years.

Our community

The nature of our business means that we have a presence in several locations across the country. This has given us a long history of engaging with, and recruiting from, local communities. This gives us excellent experience in building strong, productive relationships and supporting those who live in and around the areas in which we work.

Local engagement

At every one of our operating locations we are committed to working alongside the neighbouring communities and establishing transparent and effective dialogue. We understand that where we work we become a part of that community and we work to ensure that we consult in an open, meaningful and effective way.

In order to maintain our social licence to operate it is incumbent upon us to ensure we educate and inform communities about our activities. It is only by doing this that we can bring lasting benefits and work to resolve any local concerns. We undertake this work before and during the planning process, and for the life of the development.

The Shannon Bradshaw Trust

A grant was awarded to The Shannon Bradshaw Trust to help open their new community centre in Penketh, Warrington.

It is the first community centre in the area to help all sections of the community offering get-togethers for the elderly, such as lunches and bingo sessions, as well as a ‘mums and tots’ group and a drop in youth club for teenagers. The Trust works alongside the police who share this new facility and offer advice and counselling services to the community. The centre will also provide training courses free of charge, helping local people of all ages to obtain NVQs and learn a variety of new skills, depending on their needs.

Goodworth Clatford Riverside Walk – Weald

The River Anton in Hampshire is a much loved beauty spot visited by many local residents as well as visitors to the area.

The timber boardwalk which forms part of the popular riverside walk along the River Anton was old and dilapidated and repairs were urgently needed. A local environment group sought our help to replace the boards with virtually indestructible recycled plastic. The site had to be closed on safety grounds and unless this project went ahead, the site would have had to remain closed. A grant of £6,000 from the IGas Community Fund has meant that the boards have now been replaced and the area is now back open for the local community to enjoy.

For further information visit:
www.igascommunityfund.co.uk

IGas Energy Community Fund

Established in 2008, the IGas Energy Community Fund was established to provide a means of revitalising and investing back into the communities in which we operate. With a focus on charitable, educational or benevolent projects, it is an independently managed fund with allocations being selected by members of community groups and Parish Councils from the areas surrounding our operations.

The projects it funds benefit, not only the local communities, but also provide support to children and young people, vulnerable members of our communities, regeneration, self-help groups delivering basic services, wildlife projects and projects providing education and skills development opportunities.

In the period the Fund awarded nearly £149,000 worth of grants to support 25 projects in towns and villages close to its operations.

The latest awards were made by a panel made up of two senior executives from the company plus four representatives from community action organisations in the North West, East Midlands and Southern England. A total of over £53,624 went to Cheshire and Salford, £43,047 to Lincolnshire, Leicestershire and Nottinghamshire and £37,000 to Surrey, Hampshire and West Sussex.

This year the projects that benefited ranged from upgrading the heating system at a swimming baths in Penketh to helping replace a community cricket pavilion in Storrington. Funds were also directed to a variety of sporting and leisure projects including a Multi-Use Games Area (MUGA) for teenagers in Nettleham and a variety of improvements to community buildings across all areas.

Of particular note were grants awarded to projects supporting young people. They included funding the refurbishment of a caravan in Salford, to convert it into a mobile youth centre and helping Surrey Police set up a boxing and fitness club as a response to problems with anti-social behaviour in South Godstone.

The panel gave priority to projects located closest to our oil and gas operations and to those where the benefits would go to the widest span of the community. They also looked for projects that would be sustainable long-term without further substantial fund-raising.

In addition to the Community Fund, IGas supported several of its staff in their efforts to volunteer or raise money for charity. Charitable donations in the period totalled £18,001.

Health, safety & environment

As we expand further onshore all our operations will continue to be run to the highest standards of safety, reliability and environmental management working in partnership with the communities in which we operate.

The security, health and safety of our workforce is of paramount importance and an integral part of everything we do. A positive, safe and productive work environment for all of our team comes from ensuring the contribution of each team member towards building and sustaining a strong safety culture. We conduct routine assessments of our operating standards and review on an on-going basis our facility HSE and ER Plans. These include risk assessments and mitigation that extend from site facilities to considering issues within the local geographical area.

In terms of site safety, we have emergency preparedness and response arrangements and incident response and reporting processes in place. We place great importance in ensuring the effectiveness of our response, and the ultimate safety and security of our site personnel and others who may be affected by our activities.

Health, safety & environment

As we expand further onshore all our operations will continue to be run to the highest standards of safety, reliability and environmental management working in partnership with the communities in which we operate.

Our Company track record includes:

- inherent health and safety regulation framework implemented with no history of major incident
- impact mitigation applied throughout the lifecycle of an operation
- HSE and Emergency Response plans implemented for site safety purposes and extended to encompass local geographical issues
- 14 greenfield planning permissions have been granted since 2002

Our management system is aligned to the requirements of the occupational health and safety standard OHSAS 18001, and we remain committed to pursuing certification to this standard.

During the reporting period we have had no Lost Time Injuries ("LTIs"), assisted by our continued commitment to safe operations.

Our environment
We have successfully maintained our certification to the International Quality Management standard ISO 9001, and the Environmental Management standard, ISO 14001 through our on-going commitment to maintaining the requirements of these standards.

Our mandatory environmental operating standards are applied to all operating facilities. Initial risk assessments are conducted, along with baseline surveys, applying impact mitigation throughout all phases up to site restoration.

Our desire to sustain and enhance the environments in which we operate means that we work in collaboration with organisations involved in protecting local flora and fauna including, for example, The Royal Society for Protection of Birds.

The Strategic Report, as set out on pages 01 to 29, has been approved by order of the Board

Mofo Secretaries Limited
Secretary
IGas Energy plc
Registered Office:
7 Down Street
London
W1J 7AJ

Strong leadership

The Board is a highly experienced team of experts, committed to delivering shareholder value and to working in partnership with the communities in which IGas operates.

Francis Gugen
Non-Executive Chairman

Francis is a founder and Non-Executive Chairman and has over 40 years' oil and gas industry experience. Between 1982 and 2000 he helped grow Amerada Hess in North West Europe, ultimately becoming CEO. Currently he is also Non-Executive Chairman of Petroleum Geophysical Services ASA and of Chrysaor Limited and a board member of SBM Offshore NV, all involved in conventional oil & gas. Until 2006 he served as Non-Executive Chairman of the start up North Sea gas fields and pipelines operator CH4 Energy Limited, which was then disposed of for €224m.

Andrew Austin
Chief Executive Officer

Andrew is a founder of IGas, has been an Executive Director since 2004 and the Chief Executive Officer for the last five years with responsibility for the day to day operations and business development. Andrew is responsible for the transformation of IGas from a non-operating partner to delivering material hydrocarbon production to Britain's energy market.

Prior to joining IGas, Andrew has been involved in a number of ventures as principal, specialising in energy projects in the gas, electricity and renewable sectors.

Stephen Bowler
Chief Financial Officer

Steve started his career at Touche Ross, now Deloitte, where he qualified as a chartered accountant having spent time in both their audit and corporate finance divisions. In 1999, Steve joined ABN Amro Hoare Govett, now Jefferies Hoare Govett, where he acted as adviser and broker to a wide range of companies with a particular focus on E&P. Steve joined IGas on 1st November 2011. Since Steve joined IGas, the Group has, inter alia, successfully completed three acquisitions, two bond raising and an equity issue.

John Blaymires
Chief Operating Officer

John has 30 years of international experience in the oil and gas industry gained with Hess Corporation and Shell International. Before joining IGas he was Director of Technology Development for Hess based in Houston, where he helped develop a global engineering and geoscience technology group responsible for providing support across the E&P business, from deepwater to unconventional resources. Prior to that John was Technical Director for Hess' operations in West Africa, and subsequently South East Asia with responsibility for several major oil and gas developments. John has a BSc and PhD in Mining Engineering from Leeds University.

John Bryant
Senior Independent
Non-Executive Director

John is the Chairman of AIM listed Weatherley International plc, and a board member of AIM listed China Africa Resources Plc. He was until recently a board member of the Attiki Gas Company, which supplies natural gas to Athens and the surrounding districts. John previously served as president of Cinergy Global Resources Corp, responsible for all international business and global renewable power operations of this US based electricity and gas utility provider.

Robin Pinchbeck
Non-Executive Director

Rob has 40 years of international experience in the oil and gas sector, having held leadership positions in both oil and oil-services sectors with BP, Atlantic Power, PGS and most recently, with Petrofac Limited where he founded and led the Operations Services division, and served as Group Director of Strategy.

Rob's past Non-Executive positions include Sondex plc, SLR Consulting Ltd, Enquest plc and Sparrows Offshore Group Limited (where he was Chairman). He is currently a Non-Executive Director at Enteq Upstream plc, Seven Energy International Limited and Starn Energy Services Limited and is Chairman at PTS Consulting Limited.

Cuth McDowell
Non-Executive Director

Cuth has 33 years of international experience in the oil and gas sector, having held a range of leadership positions in Exploration and Production. He began his career with BP where he held various commercial and management roles over eight years. Cuth then joined Clyde Petroleum plc, initially as Senior Economist, subsequently becoming Group Commercial Manager before Clyde was bought by Gulf Canada. In 1997, Cuth joined Paladin Resources plc, where he served primarily as Finance Director. The company raised £120m in four separate primary offerings before it was sold to Talisman Energy Inc. for approximately £1.2bn in 2006. Cuth is currently a Non-Executive Director at Pitkin Petroleum, a privately owned international upstream oil and gas company.

Corporate Governance

The Board of Directors support high standards of corporate governance and the guidance set out in the UK Corporate Governance Code. As an AIM listed Company, IGas Energy plc is not obliged to comply with The UK Corporate Governance Code published in September 2012 (the "Code") but instead uses its provisions as a guide, only as considered appropriate to the circumstances of the Company.

The Board and its committees

The Board of the Company consists of three Executive Directors and four Non-Executive Directors; with Mr Bryant, Mr Pinchbeck and Mr McDowell being considered to be independent. The Senior Independent Non-Executive Director is John Bryant and biographies of all the Directors are included within this statement.

The Board retains full and effective control over the Group. The Board meets regularly, at least eight times a year, to consider reports on the operational and financial performance of the Group and to decide on matters reserved unto itself, which include reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

The Directors have established separate committees each chaired by a Non-Executive Director as follows:

Audit committee

The Committee comprises only Non-Executive Directors; being chaired by Cuth McDowell and having as other members John Bryant and Robin Pinchbeck. The Chairman and the Executive Directors may attend only at the invitation of the Committee.

The Committee receives and reviews reports from management and the Group's auditors relating to the Group's annual report and accounts and to interim results announcements. The Committee focuses particularly on compliance with legal requirements, accounting standards and the AIM Rules and on ensuring that effective systems of internal financial and non-financial controls (including for the management of risk and whistle-blowing) are maintained. However, the ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board of Directors. The Committee is also responsible for making recommendations to the Board of Directors on the appointment of the external auditors and their remuneration. The Committee keeps under review the external auditors' independence and considers the nature, scope, and results of the auditor's work and develops policy on and reviews (reserving the right to approve) any non-audit services that are provided by the external auditors.

The Committee normally meets at least three times a year and meets the external auditors at least annually without the presence of the Executive Directors.

Remuneration committee

The Committee comprises only Non-Executive Directors, being chaired by John Bryant and having as other members Robin Pinchbeck and Cuth McDowell. The Committee, which normally meets at least twice a year, has responsibility for making recommendations to the Board of Directors on the Company's policy on the remuneration of the Chairman, Executive Directors and other senior executives (as are delegated to the Committee to consider) and for determining, within agreed terms of reference, specific remuneration packages for each of them, including pension rights, any compensation payments and the implementation of executive incentive schemes. In accordance with the Committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

Nomination committee

The Nomination committee is chaired by the Chairman, Francis Gugen, and its other member is the Senior Independent Non-Executive Director, John Bryant. The Committee, which meets as required throughout the year, has responsibility for considering the size, structure and composition of the Board of Directors, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board of Directors. The Committee is also tasked with ensuring that plans are in place for orderly succession to the Board of Directors and senior management positions, so as to maintain an appropriate balance of skills and experience within the Group and the Board of Directors. The Chief Executive Officer of the Company is invited to attend meetings of the Committee when the Committee is discussing matters related to executive management and such other matters as the Committee chairman deems appropriate.

At each Annual General Meeting at least one third of the Directors shall retire from office by rotation. The Directors to retire by rotation shall include, firstly, any Director who wishes to retire at the meeting and not offer himself for re-election and, secondly, those Directors who have been longest in office since their last appointment or reappointment, provided always that each Director shall be required to retire and offer himself for re-election at least every three years. Directors appointed by the Board hold office only until the dissolution of the Annual General Meeting of the Company next following such appointment.

Internal control

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures that include, inter alia, financial, operational, health & safety, compliance matters and risk management (as detailed in the Strategic Report) are reviewed on an on-going basis. The Group's internal control procedures include Board approval for all significant projects, including corporate transactions and major capital projects. The Board receives and reviews regular reports covering both the technical progress of projects and the Group's financial affairs to facilitate its control. The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of Consolidated financial statements in accordance with IFRS. The Audit committee reviews draft annual and interim reports before recommending their publication to the Board. The Audit committee discusses with the Chief Executive Officer, Chief Financial Officer and external auditors the significant accounting policies, estimates and judgments applied in preparing these reports. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Group, does not consider it necessary at the current time.

UK Bribery Act

IGas has reviewed the appropriate policies and procedures to ensure compliance with the UK Bribery Act. The Company continues actively to promote good practice throughout the Group and has initiated a rolling programme of anti-bribery and corruption training for all relevant employees.

Relations with shareholders

Communications with shareholders are considered important by the Directors. The primary contact with shareholders, investors and analysts is the Chief Executive Officer. The other Executive Directors, however, regularly speak to investors and analysts during the year. Company circulars and press releases have also been issued throughout the year for the purpose of keeping investors informed about the Group's progress.

The Company also maintains a website (www.igasplc.com) that is regularly updated and contains a wide range of information about the Group.

Directors’ Remuneration Report

This report explains our remuneration policy for Directors and sets out how decisions regarding Directors’ pay for the period under review have been taken.

Remit of the Remuneration committee
The remit of the Remuneration committee (the “Committee”) is provided in the Corporate Governance section.

The Committee has engaged the services of PricewaterhouseCoopers LLP (“PwC”) to provide wholly independent advice on executive compensation and to assist the Committee in the implementation and evaluation of its long term incentive arrangements. There were no other services provided by PwC to the Group during the period.

Remuneration policy
The Company’s policy is to maintain levels of remuneration sufficient to attract, motivate and retain senior executives of the highest calibre who can deliver growth in shareholder value. Executive remuneration currently consists of basic salary, pensions, benefits, annual bonus (based on annually set targets), and long term incentives (to reward long term performance). The Company seeks to strike an appropriate balance between fixed and performance related reward, therefore, the total remuneration package is structured so that a significant proportion is subject to the achievement of performance targets, forming a clear link between pay and performance. The performance targets are aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between executives and shareholders.

The Committee will continue to review the Company’s remuneration policy and make amendments, if necessary, to ensure it remains fit for purpose for the Company, driving high levels of executive performance and remains competitive in the market.

Base salary
The purpose of the base salary is to:
- help recruit and retain key individuals;
- reflect the individual’s experience, role and contribution within the Company; and
- ensure fair reward for “doing the job”.

The Committee reviews base salaries annually to ensure that Executive Directors pay remains competitively aligned with external market practices.

The Committee will retain the discretion to increase an individual’s salary where there is a significant difference between current levels and a market competitive rate for similar positions in similar organisations (based on size, complexity and sector). However in determining whether to increase levels the Committee will take the following into consideration:
- the performance of the individual Director;
- the individual Director’s experience and responsibilities;
- impact on fixed costs of any increase; and
- pay and conditions throughout the Company.

Bonus
Executives and employees are eligible to participate in a discretionary bonus plan. The percentage of maximum bonus entitlement received is based on the achievement of challenging corporate and personal targets. The maximum potential bonus entitlement for Directors under the plan is to up to 100% of base salary. The Committee can exceed this limit in exceptional circumstances. The Committee will determine on an annual basis the level of deferral, if any, of the bonus payment into Company shares. Maximum bonus levels and the proportion payable for on target performance are considered in the light of market bonus levels for similar roles among the industry sector.

For the year ended 31 March 2014, the Committee set clear objectives for each individual Director relating to Group KPIs plus individual and strategic targets taking into account where an individual has particular influence and responsibility. The Committee also takes into account overall corporate performance in determining the actual annual bonus payment.

The following criteria sets out the performance metrics which the Remuneration committee determined the bonus against the relevant KPIs and individual and strategic targets and the relative weighting for each Executive Director (the Committee have determined that it is inappropriate to disclose the actual targets due to commercial sensitivity):

A list of the Performance metrics are as follows:-

- HSE targets;
- production targets;
- reserves and resources targets (conventional and unconventional);
- Opex and G&A costs;
- cashflow;
- annual share price performance relative to an appropriate comparator Group; and
- personal and strategic development goals.

The table below sets out the percentage achieved for each Executive Director:-

	Andrew Austin	John Blaymires	Stephen Bowler
Percentage of Performance Metric achieved	84.82%	83.32%	83.58%

Bonuses were paid in cash and are not pensionable.

Benefits

The Company provides Executive Directors with benefits in kind, with a pension contribution up to 15% of base salary (as well as other less significant benefits in kind).

Long Term Incentives

Long Term Incentive Plan ("LTIP")

In 2011, the Company adopted a Long Term Incentive Plan ("LTIP") scheme for certain key employees of the Group. Under the LTIP, participants can each be granted two types of award: an Initial Award and an Annual Award. Both types of award are in the form of a nil cost option. If the relevant conditions attaching to the awards are met then the Director has seven years in which to exercise the award.

The maximum individual limit for an Initial Award is 300% of salary and 150% of salary for an Annual Award. The primary purpose of the Initial Award is to aid recruitment and retention of key executives with the Annual Award focused on the achievement of challenging growth targets.

Initial Awards were granted in 2011. These awards vest at the end of a three year performance period provided the Company's share price performance exceeds the Company's weighted average cost of capital of 10%.

Annual Awards will vest at the end of a three year period provided certain challenging corporate performance conditions have been met. In addition, awards will only vest provided that up to 50% of an Executive Director's post tax bonus paid in the year of grant has been invested into Company shares and retained over that period. No Annual Awards have been granted this year.

Directors' Remuneration Report
continued

Review of Directors' Incentive rewards

The Committee has reviewed the Company's remuneration policy for incentive awards to Executive Directors to ensure that the arrangements act as an appropriate tool with which to attract, retain and motivate key value drivers who are critical to executing the business strategy. As a result, the Committee has recommended, and the Board has agreed, the intent to make the changes detailed below to the Executive Director long-term incentive rewards. A resolution will be put to the Board to implement these intended changes at a future date:

- To compensate the Executive Directors for the absence of regular annual LTIP awards over recent years, a one-off award equal to 200% of base salary is planned to be made to each Director. These awards will vest at the end of a three year performance period provided the Company's share price performance exceeds IGas' weighted average cost of capital of 10%. No further LTIP awards will be made to Executive Directors following this award.
- To recognise the changing requirements of the business and to support the achievement of IGas' growth objectives over the medium to long term, a new long-term incentive award will be introduced for Executive Directors, namely the IGas 2014 Value Creation Plan ("VCP"):
- Under the VCP, performance units will be granted which convert into a certain number of shares at end of 3 year performance period.
- The VCP requires creation of shareholder value in excess of threshold hurdle, i.e. 10% annualised share price growth from 1 April 2014.
- If this hurdle is met at the end of performance period, participants will receive in aggregate 12.5% of the shareholder value created above the hurdle.
- 50% of this value will vest in shares of equivalent value at end of the performance period and 25% at the end of each of the following two years.
- In implementing the above arrangement, the Committee will ensure to place an overall limit on the number of new issue shares that can be issued under any share scheme of 10% of the issued share capital in any rolling 10 year period (in line with best practice UK corporate governance guidelines).

Share Investment Plan ("SIP")

In 2013, the Company adopted an Inland Revenue approved Share Investment Plan for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to acquire up to £125 (or 10% of salary, if less) worth of IGas Ordinary Shares per month or £1,500 per annum. From April 2014, employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of IGas Ordinary Shares per month or £1,800 per annum. An initial lump sum purchase was offered in March 2013 to allow participants to acquire up to £1,500 of IGas Ordinary Shares, which the Company matched on a 2to1 basis.

On an ongoing basis shares will be acquired on a quarterly basis. The Company will match the shares purchased on a 1to1 basis and subject to the Company having met pre-defined quarterly production targets, will increase the matching element of that quarter to 2to1. To receive their allocation of matching shares, employees must ordinarily remain employed by the Company for a period of 3 years from the date of grant of the matching award.

Share price movements during the year

The Group's share price as at 31 March 2014 was 123.50p per share. The highest price during the period was 160.25p per share and the lowest share price during the period was 68.50p per share.

Current arrangements

Executive Directors

The Executive Directors are employed under rolling contracts with notice periods of 12 months or less from the Company or executive.

Directors' emoluments for the period were as follows:

	Year ended 31 March 2014					Year ended 31 March 2013
Executive Directors	Salary £000	Taxable Bonus £000	Benefits £000	Pensions £000	Total £000	Total £000
A Austin – CEO	**310**	**263**	**11**	**47**	**631**	760
S Bowler – CFO	**225**	**188**	**2**	**34**	**449**	383
J Blaymires – COO	**225**	**187**	**1**	**34**	**447**	352
Total – Executive Directors	**760**	**638**	**14**	**115**	**1,527**	1,495

	Year ended 31 March 2014				Year ended 31 March 2013
Non-Executive Directors	Emoluments £000	Taxable Benefits £000	Pensions £000	Total £000	Total £000
F Gugen – Non-Executive Chairman	**105***	**–**	**–**	**105**	80
J Bryant – Senior Independent	**75***	**–**	**–**	**75**	45
R Pinchbeck (Appointed 11 July 2012)	**50**	**–**	**–**	**50**	25
C McDowell (Appointed 20 December 2012)	**60**	**–**	**–**	**60**	10
R Armstrong (Resigned 20 December 2012)	**–**	**–**	**–**	**–**	34
J Hamilton (Resigned 20 December 2012)	**–**	**–**	**–**	**–**	47
Total – Non-Executive Directors	**290**	**–**	**–**	**290**	241

* Part of these emoluments are paid to Companies that provide the services.

Each of the Executive Directors devotes such time as is required to discharge his duties, which in the case of A Austin, J Blaymires and S Bowler is full time.

As at 31 March 2014, the outstanding long term incentives held by the Directors who served during the year are set out in the table below:

Existing long term incentive arrangements:

	Date of Grant	At 1 April 2013	Granted	Exercised	Waived	As at 31 March 2014	Earliest vesting date	Lapse date
A Austin	21/11/2011	1,029,702	–	–	–	1,029,702	21/11/2014	21/11/2021
J Blaymires	21/11/2011	681,743	–	–	–	681,743	21/11/2014	21/11/2021
S Bowler	21/11/2011	396,040	–	–	–	396,040	21/11/2014	21/11/2021
	30/09/2013	–	285,703	–	–	285,703	21/11/2014	21/11/2021

Non-Executive Directors

The Non-Executive Directors are employed under rolling contracts with notice periods of three months, under which they are not entitled to any pension, benefits or bonuses.

John Bryant
Chairman Remuneration committee
25 June 2014

Directors' Report

The Directors present their report together with the Group and Parent Company financial statements for the year ended 31 March 2014.

Business review and future developments

A review of the business and the future developments of the Group are presented in the Chairman's statement, the Chief Executive's statement and the Chief Financial Officer's review which are all sections within the Strategic report.

Dividends

The Directors do not recommend the payment of any dividend (2013: £nil).

Going concern

The Directors consider that, having taken into consideration the factors set out in note 1(b) in the financial statements, the expected operating cash flows of the Group combined with the Bond monies give them confidence that the Group has adequate resources to continue as a going concern. The financial statements have, therefore, been prepared on the going concern basis.

Principal activity

The Group's principal area of activity is exploring for, appraising, developing and producing oil and gas in Great Britain.

Share capital

Details of changes to share capital in the year are set out in note 24 to the consolidated financial statements.

Directors and their interests

The Directors who served during the year were as follows:

F Gugen	Non-Executive Chairman
A Austin	Chief Executive Officer
J Blaymires	Chief Operating Officer
S Bowler	Chief Financial Officer
J Bryant	Non-Executive
R Pinchbeck	Non-Executive
C McDowell	Non-Executive

The interests of the Directors in the shares of the Company at 31 March 2014 were as follows:

	31 March 2014 Ordinary 10p Shares		31 March 2013 Ordinary 10p Shares	
	Number	**%**	Number	%
F Gugen	**27,615,764**	**13.49**	27,615,764	14.80
A Austin	**10,968,182**	**5.36**	10,659,253	5.71
J Blaymires	**28,929**	**0.01**	20,000	0.01
S Bowler	**78,929**	**0.04**	70,000	0.04
J Bryant	**59,045**	**0.03**	59,045	0.03
R Pinchbeck	**141,000**	**0.07**	141,000	0.08
C McDowell	**–**	**–**	–	–

In addition to the table above, on 22 April 2014, A Austin, J Blaymires and S Bowler subscribed to their full entitlement under the initial subscription of the Group's share scheme and accordingly were each allotted 1,044 shares under the Share Investment Plan ("SIP"). Further details of the SIP can be found in the Remuneration Report.

The interests of the Directors in the 10% Bonds issued by the Company at 31 March 2014 were as follows:

	31 March 2014 US$	31 March 2013 US$
F Gugen	**2,800,000**	5,000,000
C McDowell	**285,000**	–

Rotation and re-election of Directors

In accordance with the Articles of Association J Blaymires, R Pinchbeck and S Bowler retire by rotation and, being eligible, offer themselves for re-election.

Directors' insurance and indemnity provisions

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

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or officers of any Group Company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006. The nature and extent of the indemnities is as described in Section 60 of the Company's Articles of Association as adopted on 20 June 2010. These provisions remained in force throughout the year and remain in place at the date of this report.

Substantial shareholders

At 31 March 2014, in addition to the Directors' interests as set out above, the Company had received notification from the following institutions of interests in excess of 3% of the Company's issued Ordinary Shares with voting rights:

	Number of Shares	%
Nexen Petroleum UK Limited	39,714,290	19.40
Brent Cheshire	11,429,253	5.58
Henderson Global Investors	9,002,036	4.40
Baillie Gifford & Co	8,088,217	3.95

Financial instruments

The Group's principal financial instruments comprise cash balances, borrowings, derivative instruments and other debtors and creditors that arise through the normal course of business as set out in note 23 to the consolidated financial statements. The Group's financial risk management objectives are set out in note 23 to the consolidated financial statements and the Strategic report.

Employment policy

It is the policy of the Group to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success.

Political contributions

The Group made no political donations during the year (2013: £nil).

Status

The Company is a closed Company as defined in the Income and Corporation Taxes Act 1988.

The Company is domiciled in the UK and incorporated and registered in England.

Board committees

Information on the Audit, Remuneration and Nomination committees is included in the Corporate Governance section of the annual report.

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be proposed at the Annual General Meeting at a fee to be agreed in due course by the Audit committee and the Board.

Directors' statement as to disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that a Director might reasonably be expected to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board
Mofo Secretaries Limited
Secretary
IGas Energy plc
Registered Office:
7 Down Street
London
W1J 7AJ

Registered in the United Kingdom number: 04981279

Directors' Statement of Responsibilities in Relation to the Group Financial Statements and Annual Report

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under International Financial Reporting Standards as adopted by the European Union. Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.
In preparing the Group financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing the Directors' Report and the Strategic Report in accordance with the Companies Act 2006 and applicable regulations.

Directors' responsibility statement

The Directors confirm that, to the best of their knowledge;

- The financial statements, prepared in accordance with International Financial Reporting standards as adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and the undertakings included in the consolidation taken as a whole, and
- The Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties faced.

By order of the Board

Andrew Austin
Chief Executive Officer
25 June 2014

Stephen Bowler
Chief Financial Officer
25 June 2014

Independent Auditor's Report to the Members of IGas Energy plc

We have audited the Group financial statements of IGas Energy plc for the year ended 31 March 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Directors' Statement of Responsibilities, the directors are responsible for the preparation of the Group 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 Group 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 (APB'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 Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

- 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.

Other matter

We have reported separately on the parent company financial statements of IGas Energy plc for the year ended 31 March 2014.

Daniel Trotman
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 June 2014

Consolidated Income Statement
For the year ended 31 March 2014

	Notes	**Year ended 31 March 2014 £000**	Year ended 31 March 2013 £000
Revenue	2	**75,917**	68,304
Cost of sales:			
Depletion, depreciation and amortisation		**(13,878)**	(9,975)
Other costs of sales		**(34,062)**	(28,067)
Total cost of sales		**(47,940)**	(38,042)
Gross profit		**27,977**	30,262
Administrative costs		**(7,875)**	(8,351)
Relinquishment of exploration and evaluation assets		**(3,259)**	(1,093)
Other income		**174**	225
(Loss)/gain on oil price derivatives		**(2,095)**	938
Operating profit	3	**14,922**	21,981
Exceptional item			
Costs relating to acquisitions		**(47)**	(59)
Finance income	6	**7,893**	26
Finance costs	6	**(20,422)**	(27,947)
Net finance costs		**(12,529)**	(27,921)
Profit/(loss) on ordinary activities before tax		**2,346**	(5,999)
Income tax charge	7	**(10,277)**	(12,356)
Loss from continuing operations attributable to equity shareholders of the Group		**(7,931)**	(18,355)
Basic and diluted loss per share (pence/share)	8	**(4.10p)**	(11.11p)
Adjusted basic and adjusted diluted earnings/(loss) per share (pence/share)	8	**2.88p**	(1.91p)

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2014

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Loss for the year	**(7,931)**	(18,355)
Other comprehensive income for the year	**–**	–
Total comprehensive loss for the year	**(7,931)**	(18,355)

Consolidated Balance Sheet
As at 31 March 2014

	Notes	31 March 2014 £000	31 March 2013 £000 Restated (note 29)
Non-current assets			
Intangible exploration and evaluation assets	11	**90,997**	81,702
Property, plant and equipment	12	**115,478**	124,711
Goodwill	10	**39,227**	32,166
		245,702	238,579
Current assets			
Inventories	14	**1,344**	1,056
Trade and other receivables	15	**11,403**	8,569
Cash and cash equivalents	16	**28,301**	9,831
Other financial assets – Restricted cash	16	**–**	102,865
		41,048	122,321
Current liabilities			
Trade and other payables	17	**(10,960)**	(14,056)
Current tax liabilities		**–**	(3,006)
Borrowings – Bond	18	**(4,948)**	(5,466)
Borrowings – Macquarie	18	**–**	(89,710)
Other liabilities	19	**(6,804)**	(8,208)
Derivative financial instruments	23	**(50)**	(10,001)
		(22,762)	(130,447)
Net current assets/(liabilities)		**18,286**	(8,126)
Total assets less current liabilities		**263,988**	230,453
Non-current liabilities			
Borrowings – Bond	18	**(103,753)**	(94,942)
Deferred tax liabilities	7	**(57,665)**	(47,388)
Provisions	20	**(28,248)**	(29,005)
		(189,666)	(171,335)
Net assets		**74,322**	59,118
Capital and reserves			
Called up share capital	24	**17,226**	15,407
Share premium account	25	**58,933**	37,747
Capital redemption reserve	25	**41,239**	41,239
Other reserves	26	**(667)**	(797)
Accumulated deficit		**(42,409)**	(34,478)
Shareholders' funds		**74,322**	59,118

These financial statements were approved and authorised for issue by the Board on 25 June 2014 and are signed on its behalf by:

Andrew Austin
Chief Executive Officer

Stephen Bowler
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Called up share capital (note 24) £000 Restated	Share premium account (note 25) £000	Capital redemption reserve (note 25) £000 Restated	Other reserves (note 26) £000	Accumulated deficit £000	Total £000
Balance at 1 April 2012	**54,213**	**18,036**	**–**	**1,140**	**(16,151)**	**54,958**
Changes in equity for year ended 31 March 2013 (Restated)						
Total comprehensive loss for the year	–	–	–	–	(18,355)	(18,355)
Employee share plans (note 26)	–	–	–	343	28	371
Cancellation of Deferred Shares (note 25)	(41,239)	–	41,239	–	–	–
Issue of shares during the year	2,433	19,711	–	–	–	22,144
Balance at 31 March 2013 (Restated)	**15,407**	**37,747**	**41,239**	**(797)**	**(34,478)**	**59,118**
Changes in equity for year ended 31 March 2014						
Total comprehensive loss for the year	–	–	–	–	(7,931)	(7,931)
Employee share plans (note 26)	–	–	–	130	–	130
Warrants exercised (note 19)	–	9,508	–	–	–	9,508
Issue of shares during the year	1,819	11,678	–	–	–	13,497
Balance at 31 March 2014	**17,226**	**58,933**	**41,239**	**(667)**	**(42,409)**	**74,322**

Consolidated Cash Flow Statement

For the year ended 31 March 2014

	Notes	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Operating activities:			
Profit/(loss) before tax for the year		**2,346**	(5,999)
Depreciation, depletion and amortisation	3	**14,069**	10,152
Share based payment charge		**494**	347
Gain on derivative financial instruments		**46**	(6,939)
Finance income	6	**(7,893)**	(26)
Finance costs	6	**20,422**	27,949
(Increase)/decrease in trade and other receivables		**(1,631)**	4,473
(Decrease) in trade and other payables, net of accruals related to investing activities		**(2,537)**	(2,287)
(Increase)/decrease in inventories		**(287)**	17
Relinquishment of exploration and evaluation licenses		**3,259**	1,093
Abandonment costs incurred		**(168)**	(29)
Other non-cash adjustments		**36**	(122)
Bad debt provision		**–**	252
Taxation paid*		**(3,006)**	(1)
Net cash from operating activities		**25,150**	28,880
Investing activities			
Acquisition of exploration and evaluation assets		**(9,875)**	(2,453)
Acquisition of property, plant and equipment		**(4,499)**	(1,123)
Acquisitions, net of cash acquired	9	**2**	(13,877)
Interest received		**87**	25
Net cash used in investing activities		**(14,285)**	(17,428)
Financing activities			
Cash proceeds from issue of Ordinary Share Capital	24	**4,451**	23,114
Share issue costs	24	**–**	(970)
Interest paid		**(10,568)**	(6,727)
Cash proceeds from loans and borrowings**		**24,505**	21,410
Loan issue costs		**(3,690)**	(1,887)
Repayment of loans and borrowings		**(5,128)**	(16,735)
Repayment of assumed borrowings and associated fees relating to acquisitions		**–**	(28,286)
Repayment of finance lease/hire purchase agreement		**–**	(51)
Net cash from/(used in) financing activities		**9,570**	(10,132)
Net increase in cash and cash equivalents in the year		**20,435**	1,320
Net foreign exchange difference		**(1,965)**	596
Cash and cash equivalents at the beginning of the year		**9,831**	7,915
Cash and cash equivalents at the end of the year	16	**28,301**	9,831

* Tax paid related to the tax payable of acquired Star Group as at 18 December 2011.

** Cash proceeds from loans and borrowings are shown net and consists of gross proceeds from bond borrowings of £126.2 million less repayment of Macquarie loan of £89.7 million and hedges and early cancellation fees of £12 million. Further details on the repayment of the Macquarie loan can be found in note 18.

Consolidated Financial Statements – Notes

As at 31 March 2014

1 Accounting policies

(a) Basis of preparation of financial statements

The consolidated financial statements of IGas Energy plc (the "Company") and subsidiaries (the "Group") have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards, adopted for use by the European Union ("IFRSs") as they apply to the Group for the year ended 31 March 2014 and with the Companies Act 2006. The accounts were approved by the board and authorised for issue on 25 June 2014. IGas Energy plc is a public limited Company incorporated, registered in England and Wales and is listed on the Alternative Investment Market ("AIM").

The Group financial statements are presented in UK pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The comparative amounts have been amended to reflect the finalisation of acquisition accounting for the Singleton acquisition (see note 9).

During the year, the Group adopted the following new and amended IFRSs which were applicable to the Group's activities as of 1 April 2013.

International Accounting Standards (IFRS/IAS):		Effective date*
IAS 1	Amendment to IAS 1 – Financial Statement Presentation – This amendment changes the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit and loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items which will never be reclassified. The amendment affects presentation only and therefore has no impact on the Group's financial position or performance.	1 July 2012
IFRS 7	IFRS 7 – Financial Instruments: Disclosures. The amendment to IFRS 7 on offsetting of financial instruments is intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The Group has considered the effect of this amendment and that it has no impact on the disclosures in the financial statements.	1 January 2014
IFRS 10/IAS 27 Revised	IFRS 10 – Consolidated Financial Statements and IAS 27 – Separate Financial Statements. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 requires management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group has concluded that the standards have no impact on the financial statements. This has been adopted early by the Group.	1 January 2014
IFRS 11/IAS 28	IFRS 11 – Joint Arrangements and IAS 28 – Investment in Associates and Joint Ventures. IFRS 11 establishes the principles of the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31. It removes the option for jointly controlled entities (JCE) using proportionate consolidation. The Group has concluded that there has been no impact on the financial statements. This has been adopted early by the Group.	1 January 2014
IFRS 12	IFRS 12 – Disclosures of involvement with other entities – IFRS 12 combines, enhances and replaces the disclosure requirement for subsidiaries, joint arrangements, associates and in consolidated structured entities. The Group has concluded that there has been no impact on the financial statements. This has been adopted early by the Group.	1 January 2013

1 Accounting policies continued

(a) Basis of preparation of financial statements continued

		Effective date*
IFRS 13	IFRS 13 – Fair Value Measurement – IFRS 13 defines fair value, setting out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new standard also requires new disclosures to assist users in understanding the valuation techniques and inputs used to develop fair value measurement and the effect of fair value measurement on profit and loss. The relevant disclosure is found in note 23. The Group has concluded that there has not been a material impact on the measurement of assets and liabilities.	1 January 2013

New and amended Standards and Interpretations

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

		For financial period commencing on or after*
International Accounting Standards (IFRS/IAS)		
IFRS 9	IFRS 9 – Financial Instruments	Not yet stated
IAS 19	IAS 19 – Employee Benefits (Revised)	1 July 2014
IAS 32	IAS 32 – Offsetting Financial assets and Financial liabilities	1 January 2014
IAS 36	IAS 36 – Recoverable Amount Disclosures for Non – Financial assets disposal	1 January 2014

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

The Group does not anticipate that the adoption of these standards and interpretations will either individually or collectively have a material impact on the Group's financial statements in the period of initial application. The Group does not anticipate adopting these standards and interpretations ahead of their effective date.

(b) Going concern

The Group regularly monitors forecasts to determine that breaches in covenants are not anticipated to occur in the future. On the basis of the Group's current forecasts, no breaches in covenants are anticipated. However these forecasts are based on certain assumptions particularly in relation to oil prices, production rates, operating costs, capital and general expenditure. After reviewing the Group's budgets and cash flow projections for 2014 and 2015, and taking into consideration the current operating environment, mitigating factors which are within the control of the Group, the risks and the Group's liquidity risk management outlined in note 23, the Directors are satisfied that the Group has adequate resources to continue as a going concern. It is therefore appropriate to adopt the going concern basis in preparing the 2013-2014 Annual Report and Financial Statements.

Consolidated Financial Statements – Notes
continued

1 Accounting policies continued

(c) Basis of consolidation
The consolidated financial statements present the results of IGas Energy plc and its subsidiaries as if they formed a single entity. The financial statements of subsidiaries used in the preparation of consolidated financial statements are based on consistent accounting policies to the parent. All intercompany transactions and balances between Group Companies, including unrealised profits arising from them, are eliminated in full. Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, it is treated as an extension of the entity.

At 31 March 2014, the Group comprised the Company and entities controlled by IGas Energy plc (its subsidiaries). The results of subsidiaries acquired during the year are included in the consolidated Income Statement from the date that control passed to the Company.

(d) Business combinations
Business combinations are accounted for using the acquisition method. The cost of the 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. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Income Statement. Acquisition costs are expensed and shown as a separate line in the Income Statement.

(e) Joint arrangements
A small proportion of the Group's licence interests are held jointly with others under arrangements whereby unincorporated and jointly controlled ventures are used to explore, evaluate and ultimately develop and produce from its oil and gas interests. Accordingly, the Group accounts for its share of assets, liabilities, income and expenditure of these joint operations, classified in the appropriate balance sheet and Income Statement headings, except where its share of such amounts remain the responsibility of another party in accordance with the terms of carried interests as described at (j) below. Where the Group enters into a farm-up agreement involving a licence in the exploration and evaluation phase, the Group records all costs that it incurs under the terms of the joint operating agreement as amended by the farm-up agreement as they are incurred.

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

(f) Significant accounting judgements and estimates
The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, the Group has identified the following areas where significant judgements and estimates are required, and where if actual results were to differ, this could materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

Carrying value of intangible exploration and evaluation assets
The Group has capitalised intangible exploration and evaluation assets in accordance with IFRS 6, which are evaluated for impairment as described at (j) below. Any impairment review, where required, involves estimates and assumptions related to matters (when appropriate), such as recoverable reserves, production profiles, review of forward oil, gas and electricity prices, development, operating and off-take costs, nature of land access agreements and planning permissions, application of taxes and other matters. Where the final outcome or revised estimates related to such matters differ from the estimates used in any earlier impairment reviews, the results of such differences, to the extent that they actually affect any impairment provisions, are accounted for when such revisions are made. Details of the Group's intangible exploration and evaluation assets are disclosed in note 11.

1 Accounting policies continued

f) Significant accounting judgements and estimates continued

Carrying value of property, plant and equipment

Management reviews the Group's property, plant and equipment periodically for impairment indicators. The determination of recoverable amounts in any resulting impairment test requires judgement around key assumptions. Key assumptions in the impairment models include those related to prices that are based on forward curves and long-term corporate assumptions thereafter, discount rates, that are risked to reflect conditions specific to individual assets, future costs, both capital and operating that are based on management's estimates having regard to past experience and the known characteristics of the individual assets, reserves and future production, discussed further below. Details of the Group's property, plant, and equipment are disclosed in note 12.

Recoverable amount of goodwill

The Group assesses goodwill each reporting period to determine whether there is any impairment. The assessment requires the use of estimates and assumptions such as long-term oil prices, discount rates, reserves, production profiles and capital expenditure. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact goodwill.

Proved and probable reserves

The volume of proven and probable oil and gas reserves is an estimate that affects the unit of production depreciation of producing oil and gas property, plant and equipment as well as being a significant estimate affecting decommissioning provisions, impairment calculations and the valuation of oil and gas properties in business combinations. Proved and probable reserves are estimated using standard recognised evaluation techniques. Estimates are reviewed at least annually and are regularly estimated by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed periodically and is based on forecast price levels and technology at the balance sheet date. Provision is made for the estimated cost at the balance sheet date, using a discounted cash flow methodology and a risk free rate of return. Details of the Group's decommissioning costs are disclosed in note 20.

Business combinations

When the Group acquires a business, it assesses the fair value of the assets acquired and liabilities assumed by reference to the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Those petroleum reserves and resources that can be reliably measured are recognised in the assessment of fair values on acquisition by reference to independent assessments of reserves and resources and discounted cash flow models to reflect the revenues and expenditures related to the extraction of those reserves and resources. Other assets and liabilities are valued by reference to market-based observations or independent valuations where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Details of business combinations occurring in the current and prior year are disclosed in note 9.

Functional currency

The determination of functional currency often requires significant judgement where the primary economic environment in which a Company operates may not be clear. The parent entity reconsiders the functional currency of its entities if there is a change in the events and conditions which determines the primary economic environment.

(g) Exceptional items

Exceptional items are material items of income or expenditure which, in the opinion of the Directors, due to their nature and infrequency require separate identification on the face of the Income Statement to allow a better understanding of the financial performance in the year. A full explanation of such items is given, where applicable, in the notes to the financial statements.

(h) Revenue

Revenue comprises the invoiced value of goods and services supplied by the Group, net of value added tax and trade discounts. Revenue is recognised in the case of oil, gas and electricity sales when goods are delivered and title has passed to the customer. This generally occurs when the product is physically delivered to the customer's premises or transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of oil from fields in which the Group has an interest with other producers, is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. Where oil produced by third parties is processed and delivered to a refinery by the Group, the measurement of the revenue depends upon whether physical title to the oil passes to the Group or whether the Group simply acts as agent for the producer.

Revenue from services rendered is recognised only once a legally binding contract is in place. Amounts billed for services where the contract provides for their delivery over a period of time are recognised evenly over the relevant period; amounts due for all other services are recognised as the services are provided.

Consolidated Financial Statements – Notes
continued

1 Accounting policies continued
(i) Non-current assets
Goodwill
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised over the fair value of the identifiable net assets acquired and liabilities assumed in a business combination.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible exploration and evaluation assets
The Group accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 "Exploration for and Evaluation of Mineral Resources" as follows:
- Any costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement. Expenditures related to development and production activities are not recognised as exploration and evaluation assets.
- Expenditures recognised as exploration and evaluation assets comprise those related to acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling (including coring and sampling), activities in relation to evaluating the technical feasibility and commercial viability of extracting hydrocarbons (including appraisal drilling and production tests) and any land rights acquired for the sole purpose of effecting these activities. These costs include employee remuneration and directly attributable overheads, materials and consumables, equipment costs and payments made to contractors.
- Tangible assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such tangible assets are consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the exploration and evaluation asset.
- Expenditures recognised as exploration and evaluation assets are initially accumulated and capitalised by reference to appropriate geographic areas.
- Exploration and evaluation assets are carried at cost less any impairment and are not depreciated or amortised.
- Expenditure recognised as exploration and evaluation assets are transferred to property plant and equipment, interests in oil and gas properties when technical feasibility and commercial viability of extracting hydrocarbons is demonstrable. Exploration and evaluation assets are assessed for impairment (on the basis described below), and any impairment loss recognised, before reclassification.

Impairment testing of exploration and evaluation assets
Expenditures recognised as exploration and evaluation assets are tested for impairment whenever facts and circumstances suggest that they may be impaired, which includes when a licence is approaching the end of its term and is not expected to be renewed, there are no substantive plans for continued exploration or evaluation of an area, the Group decides to abandon an area, or whilst development is likely to proceed in an area there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale.

Property plant and equipment – interests in oil and gas properties
Property plant and equipment, interests in oil and gas properties are accounted for as follows:
- Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.
- The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.
- When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation.
- Expenditure relating to interests in oil and gas properties includes both expenditure which is depleted on a unit of production basis, commencing at the start of commercial production and expenditure which is depreciated on a straight line basis over the relevant asset's estimated useful life. Where expenditure is depreciated on a unit of production basis, the depletion charge is calculated according to the proportion that production bears to the recoverable reserves for each property.
- The Group's interests in oil and gas properties are assessed for indications of impairment including events or changes in circumstances indicating that the carrying value of an asset may not be recoverable, when impairment is computed on the basis as set out below. Any impairment in value is charged to the Income Statement as additional depreciation.

1 Accounting policies continued

(i) Non-current assets continued

- Net proceeds from any disposal of development/producing assets are compared to the previously capitalised costs for the relevant asset or Group of assets. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset or Group of assets.

Impairment

Impairment reviews, when required as described above, are carried out on the following basis:

- By comparing the sum of any amounts carried in the books as compared to the recoverable amount.
- The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The Group generally assesses the value in use using the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
- Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value and the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

Decommissioning

Where a liability for the removal of production facilities or site restoration exists, a provision for decommissioning is recognised. The amount recognised is discounted to its present value and is reflected in the Group's non-current liabilities. A corresponding asset is included in the appropriate category of the Group's non-current assets (intangible exploration and evaluation assets and property plant and equipment), depending on the accounting treatment adopted for the underlying operations/asset leading to the decommissioning provision. The asset is assessed for impairment and depleted in accordance with the Group's policies as set out above.

Carried interests

Where the Group has entered into carried interest agreements in exploration and evaluation projects and the Group's interest is being carried by a third party, no amounts are recorded in the financial statements where expenditure incurred under such agreements is not refundable. Where expenditure is refundable, out of what would but for the carry agreements have been the Group's share of production, the Group records amounts as non-current assets, with a corresponding offset in current liabilities or non-current liabilities, as appropriate, but only once it is apparent that it is more likely than not that future production will be adequate to result in a refund under the terms of any carry agreement; the Group records refunds only to the extent that they are expected to be repayable.

Other property plant and equipment

Other property plant and equipment is stated at cost to the Group less accumulated depreciation. Depreciation is provided on such assets, with the exception of freehold land, at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives at the following rates, with any impairment being accounted for as additional depreciation:

Equipment used for exploration and evaluation	– between six and twelve years on a straight line basis
Freehold Land	– indefinite useful life
Buildings/leasehold property improvements	– over five to ten years on a straight line basis/over the period of the lease
Fixtures, fittings and equipment	– between three and twenty years on a straight line basis
Motor Vehicles	– over four years on a straight line basis

The Group does not capitalise amounts considered to be immaterial.

(j) Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with original maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

Other financial assets – Restricted cash

Where cash is held in escrow, funds are only classified as cash and cash equivalents when monies are transferred to and under the control of the Group.

Trade and other receivables

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

Consolidated Financial Statements – Notes
continued

1 Accounting policies continued
(j) Financial instruments continued
Trade and other payables
These financial liabilities are all non-interest bearing and are initially recognised at the fair value of the consideration payable.

Derivative financial instruments and hedge accounting
The Group enters into derivatives to manage its exposure to variability in the price of a proportion of its crude oil production. All derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each period end. Apart from those derivatives designated as qualifying cash flow hedging instruments, all changes in fair value are recorded as financial income or expense in the year in which they arise, otherwise they are recognised in other comprehensive income.

Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows. The fair value of derivative financial instruments has been calculated on a discounted cash flow basis by reference to forward market prices and risk free returns adjusted in the case of derivative financial liabilities by an appropriate credit spread.

Derivatives embedded in host contracts, such as warrants attached to loans, are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Income Statement.

Warrants
When warrants do not qualify as equity instruments under IAS 39 due to the variable number of shares that would be issued in each case they are accounted for as financial liabilities. The warrants are initialised at fair value on the date they are issued and are subsequently remeasured to fair value at each period end. All changes in fair value are recognised in the Income Statement.

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

(k) Borrowings
Borrowings are measured initially at fair value. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process. When management estimates of the amounts or timings of cash flows are revised, borrowings are re-measured using the revised cash flow estimates under the original effective interest rate with any consequent adjustment being recognised in the Income Statement.

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 EIR. The EIR amortisation is included in finance costs in the Income Statement.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

(l) Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

1 Accounting policies continued
(l) Leases continued
Operating leases
Rentals are charged to the Income Statement on a straight line basis over the period of the lease.

Finance leases
Assets held under finance leases are included in tangible fixed assets at their capital value and depreciated over their useful lives. Capital value is defined as the amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments consist of capital and finance charge elements; the finance charge element is charged to the Income Statement.

(m) Inventories
Inventories, consisting of crude oil, drilling materials and maintenance materials, are stated at the lower of cost and net realisable value. Costs comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily inter-changeable items.

(n) Taxation
The tax expense represents the sum of current tax and deferred tax.

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

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

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

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

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

(o) Share based payments
Where Share Options or warrants are awarded to employees including Directors, the fair value of the options or warrants at the date of the grant is recorded in equity over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including market vesting conditions, are factored into the fair value of the options or warrants granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition; although equity no longer required for options or warrants may be transferred to another equity reserve.

Where the terms and conditions of options or warrants are modified before they vest, the increase in the fair value of the options, measured by the change from immediately before to after the modification, is also recorded in equity over the remaining vesting period.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised or the award is recognised immediately.

Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

Consolidated Financial Statements – Notes
continued

1 Accounting policies continued

(o) Share based payments continued
Charges corresponding to the amounts recognised in equity are accounted for as a cost against profit and loss unless the services rendered qualify for capitalisation as a non-current asset. Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition of intangible exploration and evaluation assets or property plant and equipment.

Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, the value of such shares at issue will be recorded in share capital and share premium account in the ordinary way, but will not affect shareholders' funds since this same value will be shown as a deduction from shareholders' funds by way of a separate component of equity.

(p) Post-retirement benefits
A subsidiary within the Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the Income Statement represents the contributions payable to the scheme in respect of the accounting period.

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

(r) Foreign currency
The consolidated financial statements are presented in UK pound sterling, which is the parent Company's and its subsidiaries' functional currency. The Group does not have any foreign operations. Transactions denominated in currencies other than functional currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the Income Statement.

2 Revenue and segment information

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 ("CODM") to make decisions about resources to be allocated to the segments and assess their performance, and for which financial information is available. In the case of the Group the CODM are the Chief Executive Officer and the Board of Directors and all information reported to the CODM is based on the consolidated results of the Group as one operating segment as the Group's activities all relate to UK oil and gas. Therefore the Group has one operating and reportable segment as reflected in the Group's consolidated financial statements.

All revenue, which represents turnover, arises within the United Kingdom and relates to external parties. £63.6 million of the Group's revenue was derived from 3 customers (2013: £61.7 million derived from 2 customers).

All the Group's non-current assets are in the United Kingdom.

3 Operating profit/loss

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Operating profit/(loss) is stated after charging:		
Staff costs (see note 4)	**10,194**	9,867
Depletion, depreciation and amortisation	**14,069**	10,152
Auditor's remuneration:		
Audit fee	**199**	207
Audit of accounts of any associate of the Company	**56**	140
Audit-related assurance of services	**72**	117
All taxation advisory services other than tax compliance	**37**	–
Non-assurance services	**25**	41
Operating lease charges:		
Land and buildings	**1,723**	1,464
Other	**196**	197

4 Employee information

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Staff costs comprised:		
Wages and salaries	**9,600**	8,872
Social security costs	**1,457**	790
Company contribution to pension scheme	**760**	571
Employee share based payment cost under IFRS 2	**577**	274
	12,394	10,507

	No.	No.
Average number of employees including Directors in the year:		
Operations, including services	**128**	112
Administrative	**39**	41
	167	153

In the year ended 31 March 2014 £2.2 million (2013: £0.64 million) of the Group's remuneration costs have been capitalised in accordance with the Group's accounting policy.

5 Directors' emoluments

The remuneration of the Directors for the year was as follows:

	Year ended 31 March 2014					Year ended 31 March 2013
Executive Directors	Salary £000	Bonus £000	Taxable Benefits £000	Pensions £000	Total £000	Total £000
A Austin – CEO	**310**	**263**	**11**	**47**	**631**	760
S Bowler – CFO	**225**	**188**	**2**	**34**	**449**	383
J Blaymires – COO	**225**	**187**	**1**	**34**	**447**	352
Total – Executive Directors	**760**	**638**	**14**	**115**	**1,527**	1,495

Non-Executive Directors	Emoluments £000	Taxable Benefits £000	Pensions £000	Total £000	Total £000
F Gugen – Non-Executive Chairman*	**105**	**–**	**–**	**105**	80
J Bryant – Senior Independent*	**75**	**–**	**–**	**75**	45
R Pinchbeck (Appointed 11 July 2012)	**50**	**–**	**–**	**50**	25
C McDowell (Appointed 20 December 2012)	**60**	**–**	**–**	**60**	10
R Armstrong (Resigned 20 December 2012)	**–**	**–**	**–**	**–**	34
J Hamilton (Resigned 20 December 2012)	**–**	**–**	**–**	**–**	47
Total – Non-Executive Directors	**290**	**–**	**–**	**290**	241

* Part of these emoluments are paid to Companies that provide the services.

Consolidated Financial Statements – Notes
continued

5 Directors' emoluments continued

Directors' share schemes/warrants

At 31 March 2014 the Executive Directors held the following awards under the Long Term Incentive Plan as follows:

Long Term Incentive Plans

	31 March 2014 Number	**Exercise price (p/share)**	31 March 2013 Number	Exercise price (p/share)
A Austin	**1,029,702**	**–**	1,029,702	–
J Blaymires	**681,743**	**–**	681,743	–
S Bowler	**681,743**	**–**	396,040	–

6 Finance income and costs

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Finance income:		
Interest on short-term deposits	**87**	26
Foreign exchange gains	**7,806**	–
Finance income recognised in Income Statement	**7,893**	26
Finance expense:		
Finance lease charges	**–**	25
Other interest	**130**	–
Interest on borrowings – Bond	**11,626**	322
Interest on borrowings – Macquarie	**–**	8,882
Interest on borrowings – Macquarie debt costs written off under amortised cost*	**–**	7,647
Interest expense	**11,756**	16,876
Loss on interest rate swaps	**–**	573
Foreign exchange loss	**–**	3,275
Unwinding of discount on provisions (note 20)	**562**	457
Loss on fair value of warrants (note 19)	**8,104**	5,402
Finance charges – early settlement fees for assumed Singleton loan	**–**	1,364
Finance expense recognised in Income Statement	**20,422**	27,947

* Costs are in relation to the Group refinancing, further details can be found in note 18.

7 Taxation

i) Tax charge on profit/(loss) on ordinary activities

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
UK corporation tax:		
Current tax on income for the year	**–**	–
Adjustments in respect of prior year	**–**	(161)
Total current tax charge/(credit)	**–**	(161)
Deferred tax:		
Current year charge relating to the origination or reversal of temporary differences	**10,317**	13,274
Credit in relation to prior year	**(40)**	(757)
Total deferred tax charge	**10,277**	12,517
Tax charge on profit on ordinary activities	**10,277**	12,356

7 Taxation continued

ii) Factors affecting the tax charge

The majority of the Group's profits are now generated by "ring-fence" businesses which attract UK corporation tax and supplementary charge at a combined rate of 62%. The tax assessed for the year does not reflect a charge equivalent to the profit on ordinary activities multiplied by the rate of corporation tax and supplementary charge for ring-fenced businesses in the United Kingdom. A reconciliation of the UK statutory corporation tax rate applicable to the Group's profit/(loss) before tax to the Group's total tax charge is as follows:

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Profit/(loss) on ordinary activities before tax	**2,346**	(5,999)
Expected tax charge/(credit) based on profit or loss on ordinary activities multiplied by the combined rate of corporation tax and supplementary charge in the UK of 62% (2013: 62%)	**1,454**	(3,719)
Prior year deferred tax credit	**(40)**	(757)
Prior year current tax credit	**–**	(161)
Tax effect of expenses not allowable for tax purposes	**6,529**	720
Tax effect of expenses not allowable for supplementary charge purposes	**4,641**	4,883
Impact of profits or losses taxed or relieved at different rates	**(1,522)**	7,389
Net (decrease)/increase in unrecognised losses carried forward	**(781)**	3,981
Other	**(4)**	20
Tax charge on profit/(loss) on ordinary activities	**10,277**	12,356

During the year legislation was enacted to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. These rates are reflected in the calculation of deferred tax balances in respect of the Group's non-ring fence activities.

iii) Deferred tax

The movement on the deferred tax liability in the year is shown below:

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Opening liability at beginning of year	**47,388**	20,552
Tax credit relating to prior year	**(40)**	(757)
Tax charge during the year recognised in Income Statement	**10,317**	13,274
Deferred tax liability arising from business combinations	**–**	14,319
Closing liability at end of year	**57,665**	47,388

The following is an analysis of the deferred tax liability by category of temporary difference:

	31 March 2014 £000	31 March 2013 £000
Accelerated capital allowances	**85,928**	89,051
Tax losses carried forward	**(19,999)**	(24,555)
Decommissioning provision	**(7,775)**	(11,192)
Unrealised gains or losses on derivative contracts	**(31)**	(5,718)
Share based payments	**(458)**	(198)
Deferred tax liabilities	**57,665**	47,388

iv) Tax losses

Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered. Such tax losses include £50.5 million of ring-fence corporation tax losses.

The Group has further tax losses and other similar attributes carried forward of approximately £120.7 million (2013: £59.5 million) for which no deferred tax asset is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits. This may affect future tax charges should certain subsidiaries in the Group produce taxable trading profits in future period where there is currently uncertainty of the timing of future taxable profits.

Consolidated Financial Statements – Notes
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8 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the loss attributable to the ordinary equity holders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the potentially dilutive Ordinary Shares into Ordinary Shares.

Adjusted basic EPS amounts are calculated by dividing the adjusted profit/(loss) for the year, after adjusting for exceptional items, "mark to market" valuation adjustments and other one-off costs listed below which do not reflect the trading of the Group, attributable to the ordinary equity holders of the parent by the adjusted weighted average number of shares outstanding during the year.

Adjusted diluted EPS amounts are calculated by dividing the adjusted profit/(loss) for the year, after adjusting for exceptional items, "mark to market" valuation adjustments and other one-off costs listed below which do not reflect the trading of the Group, attributable to the ordinary equity holders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the potentially dilutive Ordinary Shares into Ordinary Shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Basic EPS – Ordinary Shares of 10p each (Pence)	**(4.10p)**	(11.11p)
Diluted EPS – Ordinary Shares of 10p each (Pence)	**(4.10p)**	(11.11p)
Adjusted basic EPS – Ordinary Shares of 10p each (Pence)	**2.88p**	(1.91p)
Adjusted diluted EPS – Ordinary Shares of 10p each (Pence)	**2.88p**	(1.91p)
Loss for the year attributable to equity holders of the parent – £000	**(7,931)**	(18,355)
Add back: Loss/(Gain) on oil price derivatives	**2,095**	(938)
Loss on interest rate swaps	**–**	573
Acquisition costs	**47**	59
Relinquishment of exploration and evaluation assets	**3,259**	1,093
Loss on revaluation of warrants	**8,104**	5,402
Early settlement fees for assumed Singleton loan	**–**	1,364
Debt costs written off	**–**	7,647
Adjusted profit /(loss)for the year	**5,574**	(3,155)
Weighted average number of Ordinary Shares in the year – basic, diluted, adjusted basic and adjusted diluted EPS	**193,410,155**	165,257,078

There are 13,004,060 potentially dilutive warrants and options over the Ordinary Shares at 31 March 2014 (2013: 24,682,523), which are not included in the calculation of diluted earnings per share and adjusted earnings per share in 2014 because they were anti-dilutive for the year as their conversion to Ordinary Shares would decrease the loss per share.

9 Acquisitions

Acquisition of Caithness Oil Limited (Renamed IGas Energy (Caithness) Limited)

On 6 December 2013, the Company acquired the entire issued share capital of Caithness Oil Limited ("Caithness"), an unlisted oil and gas exploration and production Company for a consideration of £7.9 million (including assumed borrowings of £7.9 million) which was funded by the issue of 7,488,301 Ordinary Shares of the Company. In addition to increasing IGas' current production, the acquisition offers additional upside through utilisation of significant existing tax losses and monetisation of associated gas.

The Caithness acquisition has been accounted for as a business combination by the acquisition method of accounting with an effective date of 6 December 2013, being the date the Group gained control of Caithness. The fair values of property, plant and equipment, provisions and related tax effect are provisional subject to further analysis of the oil and gas properties acquired, including the assessment of potential gas monetisation.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Caithness as at the date of acquisition were:

	Provisional fair value £000
Assets	
Property, plant and equipment (note 12)	2,346
Cash and cash equivalents	2
Trade and other receivables	317
	2,665
Liabilities	
Trade and other payables	(970)
Borrowings	(7,947)
Deferred tax liabilities	–
Provisions (note 20)	(809)
	(9,726)
Total identifiable net liabilities at fair value	**(7,061)**
Purchase consideration	**–**
Goodwill	**7,061**

The fair value of contractual receivables amounts to £0.2 million. The gross value of the contractual receivables amounts to £0.2 million all of which is expected to be received.

Transaction costs in respect of the Caithness acquisition of £47 thousand have been recognised in the Income Statement.

From the date of acquisition, Caithness has contributed £0.7 million of revenue and £0.5 million loss towards the net profit before tax of the Group. If the combination had taken place at 1 April 2013, the Group's revenue from continuing operations for the year would have been £77.0 million and the Group's operating profit before tax and acquisition costs for the Group would have been £14.4 million.

The goodwill of £7.1 million is discussed further in note 10.

Analysis of cash flows on acquisition

	£000
Consideration paid for Caithness net of cash acquired	2
Net cash flow on acquisition of Caithness	**2**

Consolidated Financial Statements – Notes
continued

9 Acquisitions continued

Acquisition of P.R. Singleton Limited (Renamed Island Gas (Singleton) Limited)
On 28 February 2013, the Company acquired the entire issued share capital of P.R. Singleton Limited ("Singleton"), an unlisted oil and gas exploration and production Company for a cash consideration of £15.1 million and assumed borrowings of £28.3 million. The acquisition of Singleton added 100% of PEDL 240, 50% of PEDL 233, bringing a number of development opportunities and an experienced execution team.

The Singleton acquisition has been accounted for as a business combination by the acquisition method of accounting with an effective date of 28 February 2013, being the date the Group gained control of Singleton.

The accounting for the acquisition of Singleton as of 28 February 2013 (acquisition date) was provisionally determined in respect of the fair values of certain assets acquired and liabilities assumed in the financial statements for the year ended 31 March 2013. During the year ended 31 March 2014, the necessary valuations and assessments have been undertaken so that the accounting for this acquisition has been finalised. The details of the adjustments of the provisionally determined fair values of assets acquired and liabilities assumed are shown below:

	Provisional fair value £000	Adjustments £000	Comments	Final fair values £000
Assets				
Exploration & evaluation assets (note 11)	–	23,033	1	23,033
Property, plant and equipment (note 12)	41,568	(13,667)	1	27,901
Cash and cash equivalents	–	–		–
Trade and other receivables	1,178	–		1,178
Inventories	362	–		362
	43,108	**9,366**		**52,474**
Liabilities				
Borrowings	(26,939)	–		(26,939)
Deferred tax liabilities	(7,125)	(7,193)	1	(14,318)
Provisions	(4,776)	–		(4,776)
	(38,840)	**(7,193)**		**(46,033)**
Total identifiable net assets at fair value	**4,268**	**2,173**		**6,441**
Purchase consideration transferred	**15,092**	**–**		**15,092**
Goodwill	**10,824**	**(2,173)**		**8,651**

1 Adjustments to the fair value of PP&E and E&E following remeasurement of 2P reserves and 2C resources and additional E&E assets related to Baxters Copse and related tax effects.

10 Goodwill

	31 March 2014 £000	31 March 2013 £000
Opening balance	**32,166**	23,515
Acquisitions	**7,061**	8,651
	39,227	32,166

Goodwill of £7.1 million was generated in the year, as described in note 9 above.

Goodwill all relates to the acquisitions of Star, Singleton and Caithness and arises principally because of the following factors:
1) the requirement to recognise deferred income tax assets and liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value;
2) the intangible value of an experienced team of oil industry professionals with experience of operating in the UK onshore market;
3) the relationships and reputation developed by the acquired business with central and local government in Great Britain;
4) the considerable potential for discovery of additional reserves of both conventional and unconventional resources in Star's, Singleton's and Caithness's licence areas; and
5) the potential to utilise existing tax losses that have not been recognised at acquisition date.

10 Goodwill continued

Impairment testing of Goodwill

Goodwill has been assigned to the UK business segment, the level at which goodwill is monitored for internal management purposes. The UK business segment is considered the cash generating unit for the purpose of any impairment testing of this goodwill.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Company has undertaken an impairment test of goodwill as at 31 March 2014. The Group assessed whether goodwill was impaired by calculating value-in-use using discounted future cash flows of the cash generating unit and comparing this to the total carrying value of the cash generating unit including goodwill.

Value-in-use calculations are based on cash flows expected to be generated by projected oil production profiles up to the expected cessation of production dates. Future operating and capital expenditure were based on management's assessment, and production and reserve profiles were based on proved and probable reserves as determined by an independent reserve evaluator.

The calculation of value-in-use includes the following key assumptions:

- Future production volumes
- Crude oil prices
- Discount rate

Estimated future production volumes are based on detailed data for each of the Group's fields and take into account development plans for the fields agreed by management as part of the long-term planning process.

The crude oil prices used are based on the forward oil price curve and on management's view of long term price.

The pre-tax discount rate in 2014 is 16%. The period over which the Group has projected cash flows is in excess of five years and is considered to be appropriate by the Group as it is underpinned by estimates of commercial reserves.

It was determined that the carrying amount of goodwill is not impaired.

The Directors have considered the sensitivity of the key assumptions and have concluded that any possible changes that may be reasonably contemplated in these key assumptions would not result in the value-in-use falling below the carrying value of goodwill.

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11 Intangible exploration and evaluation assets

	Exploration and evaluation £000
Cost	
At 1 April 2012	57,237
Additions	2,502
Acquisitions (note 9)	23,033
Changes in decommissioning	23
Licence relinquishments	(1,093)
At 31 March 2013	81,702
Additions	12,512
Changes in decommissioning	42
Licence relinquishments	(3,259)
At 31 March 2014	**90,997**
Amortisation	
At 1 April 2012	–
Charge for the period	–
At 31 March 2013	–
Charge for the year	–
At 31 March 2014	**–**
Net book amount	
At 31 March 2013	81,702
At 31 March 2014	**90,997**

£3.3 million of costs were written off during the year (2013: £1.1 million) relating to previously capitalised expenditure on licences PEDL 107, 116 and SSPL 1481 (2013: PEDL 115) where no future exploration activity was planned and these licenses were therefore relinquished.

Under the terms of the Secured Bond agreement, the Bondholders have a fixed and floating charge over these assets.

12 Property, plant and equipment

	Equipment used for exploration and evaluation £000	Freehold land £000	Buildings/ lease hold property improvements £000	Oil and gas properties £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost							
At 1 April 2012	179	866	539	100,429	667	1,226	103,906
Additions	–	–	–	1,055	28	–	1,083
Disposals	–	–	–	(29)	(14)	(173)	(216)
Acquisitions (note 9)	–	–	–	27,899	2	–	27,901
Changes in decommissioning	–	–	–	5,396	–	–	5,396
At 31 March 2013	179	866	539	134,750	683	1,053	138,070
Additions	–	–	359	4,098	106	18	4,581
Disposals	–	–	–	(30)	(89)	(15)	(134)
Acquisitions (note 9)	–	–	–	2,346	–	–	2,346
Changes in decommissioning	–	–	–	(2,001)	–	–	(2,001)
At 31 March 2014	**179**	**866**	**898**	**139,163**	**700**	**1,056**	**142,862**
Depreciation and impairment							
At 1 April 2012	31	–	336	2,756	143	95	3,361
Charge for the year	20	–	164	9,523	203	260	10,170
Disposals	–	–	–	–	(10)	(162)	(172)
At 31 March 2013	51	–	500	12,279	336	193	13,359
Charge for the year	20	–	196	13,550	163	160	14,089
Disposals	–	–	–	–	(49)	(15)	(64)
At 31 March 2014	**71**	**–**	**696**	**25,829**	**450**	**338**	**27,384**
Net book amount							
At 31 March 2013	128	866	39	122,471	347	860	124,711
At 31 March 2014	**108**	**866**	**202**	**113,334**	**250**	**718**	**115,478**

Under the terms of the Secured Bond agreement, the Bondholders have a fixed and floating charge over these assets.

Consolidated Financial Statements – Notes
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13 Interest in joint arrangements

Interests in joint operations
The Group, jointly with other participants, has an interest in PEDL 139 and PEDL 140. The Group's share is 14.5%.

Farm-out-arrangement
The Group and its partners entered into an agreement with Total E&P UK Limited ("Total"), under which Total acquire at a 40% interest in the UK. Onshore PEDL 139 and PEDL 140 located in the Gainsborough Trough in Lincolnshire. Under the agreement, Total agreed to fund a fully carried work programme of up to US$46.5 million with a minimum commitment of US$19.5 million. On 4th February 2014, the Farm-out Agreement with Total was completed and the Group became the operator of these licences.

14 Inventories

	31 March 2014 £000	31 March 2013 £000
Oil Stock	**795**	836
Drilling materials	**228**	43
Maintenance materials	**321**	177
	1,344	1,056

15 Trade and other receivables

	31 March 2014 £000	31 March 2013 £000
VAT recoverable	**1,096**	305
Trade debtors	**5,962**	6,529
Other debtors	**2,798**	404
Prepayments	**1,547**	1,331
	11,403	8,569

Trade receivables are non-interest bearing and are generally on 30 day terms. The carrying value of the Group's trade and other receivables as stated above is considered to be a reasonable approximation of their fair value.

The ageing of the financial assets (trade debtors and certain other debtors) is as follows:

	31 March 2014 £000	31 March 2013 £000
Not yet due	**8,097**	6,783
Amounts overdue but not impaired:		
Overdue by not more than three months	**–**	–
More than three months but not more than six months	**–**	–
More than six months but not more than one year*	**155**	–
	8,252	6,783

* Outstanding amount relates to the receivables acquired as part of the Caithness acquisition.

16 Cash and cash equivalents

	31 March 2014 £000	31 March 2013 £000
Cash at bank and in hand	**28,301**	9,831
	28,301	9,831

The carrying value of the Group's cash and cash equivalents as stated above is considered to be a reasonable approximation of their fair value.

The Group only deposits cash surpluses with major banks that have acceptable credit ratings of "A" or better, with the exception of banks where the UK government is the major shareholder.

Other financial assets – Restricted cash

	31 March 2014 £000	31 March 2013 £000
Restricted cash	**–**	102,865
	–	102,865

On 22 March 2013 the Company issued bonds to a value of US$156.2 million. The cash relating to these bonds were received into, and held in, escrow, remaining restricted until all of the conditions precedent were satisfied in relation to the Bond issued.

On 10 April 2013, all conditions precedent were met by the Group and the funds in escrow were reclassified as cash and cash equivalents. Part of these funds were used to repay the bank facility agreement with Macquarie Bank Ltd, plus outstanding interest and all associated break fees, termination fees and costs of closing out hedges. See note 18 for further details of refinancing.

17 Current liabilities

	31 March 2014 £000	31 March 2013 £000
Trade and other payables:		
Trade creditors	**3,989**	2,102
Employment related taxation	**295**	209
Accruals and other creditors	**6,676**	11,745
	10,960	14,056

The carrying value of each of the Group's financial liabilities is considered to be a reasonable approximation of its fair value. All creditors are payable within one month and no creditors have been outstanding for longer than three months (2013: all within one month).

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18 Borrowings

Borrowings are measured at amortised cost in accordance with IAS 39.

	31 March 2014			31 March 2013		
	Within 1 year £000	Greater than 1 year £000	Total £000	Within 1 year £000	Greater than 1 year £000	Total £000
Bonds – secured*	**4,948**	**87,186**	**92,134**	5,466	94,942	100,408
Bonds – unsecured*	**–**	**16,567**	**16,567**	–	–	–
Sub total	**4,948**	**103,753**	**108,701**	5,466	94,942	100,408
Macquarie	**–**	**–**	**–**	89,710	–	89,710
Total	**4,948**	**103,753**	**108,701**	95,176	94,942	190,118

* Transaction costs of raising debt of £3.7 million (2013: £2.8 million) have been netted off against the liability.

Bond issuance

Secured Bonds

On 21 March 2013, the Company and Norsk Tillitsmann ("Bond Trustee") entered into a Bond Agreement for the Company to issue up to US$165.0 million secured bonds. At 31 March 2013 US$156.2 million of bonds had been placed with the funds paid into escrow.

By 10 April 2013, the conditions precedent under the Bond Agreement were met, with the related cash then released from escrow to the Company. Part of the net proceeds of the Bond were used to repay the outstanding loan balance with Macquarie Bank Ltd, plus outstanding interest and all associated break fees, termination fees and to pay costs associated with closing out hedges. The remainder is being used for general corporate purposes by the Group.

The Bond carries a coupon of 10% per annum (where interest is payable semi-annually in arrears) and semi-annual amortisation of 2.5% of the initial loan amount. Final maturity on the notes will be 22 March 2018.

The Bond Agreement contains certain representations, warranties and covenants customary for an instrument of this nature. Such covenants include the provision of financial and reporting information, compliance with environmental law, maintenance of financial ratios and certain restrictions on mergers, acquisitions, joint ventures, granting of security, disposals, issuances of loans, incurrence of financial indebtedness and on payments of dividends by the Company and its operating subsidiaries. The Bond Agreement also contains customary events of default, the occurrence of which allows The Bond Trustee (on behalf of the bond holders) to accelerate outstanding bonds and terminate the commitments. Under the terms of the Secured Bond agreement, the Bondholders have a fixed and floating charge over all these assets.

Unsecured Bonds

On 11 December 2013, the Company and Norsk Tillitsmann ("Bond Trustee") entered into a Bond Agreement for the Company to issue US$30.0 million unsecured bonds, issued at 96% of par. The new bonds have been listed on the Alternative bond market in Oslo and the proceeds are to be used for general corporate purposes.

The Bond carries a coupon of 10% per annum (where interest is payable semi-annually in arrears) and has a borrowing limit of US$60.0 million. Final maturity on the notes will be 11 December 2018.

The Bond Agreement contains certain representations, warranties and covenants customary for an instrument of this nature. Such covenants include the provision of financial and reporting information, compliance with environmental law, maintenance of financial ratios and certain restrictions on mergers, acquisitions, joint ventures, granting of security, disposals, issuances of loans, incurrence of financial indebtedness and on payments of dividends by the Company and its operating subsidiaries. The Bond Agreement also contains customary events of default, the occurrence of which allows The Bond Trustee (on behalf of the bond holders) to accelerate outstanding bonds and terminate the commitments.

Macquarie financing

At 31 March 2013, the Group had outstanding borrowings with Macquarie (Macquarie facilities) but was undergoing a refinancing. In accordance with IAS 1 the Macquarie facilities were re-classified as current liabilities as at 31 March 2013 as the Group had intended to repay these facilities upon completion of the Bonds. The facilities were re-measured to £89.7 million at 31 March 2013 to take into account the change in the estimated future cashflows to repay the Macquarie facilities. A £7.6 million loss on re-measurement was recognised in finance costs in the Income Statement for the year ended 31 March 2013. On 10 April 2013, the Macquarie facilities were repaid in full, being the re-measured amount, plus £0.3 million of accrued interest.

19 Other liabilities

	£000
At 1 April 2012	2,806
Warrants issued during year	–
Revaluation loss	5,402
As at 31 March 2013	8,208
Warrants issued during year	–
Warrants exercised during year	(9,508)
Revaluation loss	8,104
As at 31 March 2014	**6,804**

During the year the Group issued 9,975,657 Ordinary Shares with a nominal value of 10p each upon the exercise of £9.5 million warrants (31 March 2013: nil shares issued).

Warrants issued can be exercised in three different ways and, although the cost to the Group would be the same under each exercise option, these warrants do not qualify as equity instruments under IAS 39 due to the variable number of shares that would be issued in each case. Accordingly they have been accounted for as financial liabilities.

All warrants vested on grant and accordingly the key assumptions made in arriving at the Black-Scholes valuations were: share price on date of valuation, adjusted for subsequent consolidations where appropriate and the length of time for which the warrants were expected to remain exercisable. A risk free interest rate of 1.09% and an implied volatility of 35% were used in valuing the warrants at the time of grant, and an interest rate of 1.38% and an implied volatility of 43.13% at 31 March 2014. It was also assumed that no dividends would be paid during the life of the warrants.

The movement in warrants during the period was as follows:

	No.	Weighted average exercise price (pence)
At 1 April 2012	21,286,646	55.8
Granted in year	–	–
Lapsed in year	–	–
Outstanding at 31 March 2013	21,286,646	55.8
Exercisable at 31 March 2013	21,286,646	55.8
Granted in year	–	–
Lapsed in year	–	–
Exercised in the year	12,286,646	55.8
Outstanding at 31 March 2014	**9,000,000**	**55.8**
Exercisable at 31 March 2014	**9,000,000**	**55.8**

The weighted average remaining contractual life for the warrants outstanding as at 31 March 2014 is 3.75 years.

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20 Provisions for liabilities and charges

	2014			2013		
	Decommissioning £000	**Other £000**	**Total £000**	Decommissioning £000	Other £000	Total £000
At the beginning of the year	**28,930**	**75**	**29,005**	18,283	100	18,383
Acquisition of a subsidiary	**781**	**–**	**781**	4,776	–	4,776
Unwinding of discount	**562**	**–**	**562**	457	–	457
Reassessment of decommissioning provision/liabilities	**(1,932)**	**–**	**(1,932)**	5,419	–	5,419
Utilisation/write back of provision	**(153)**	**(15)**	**(168)**	(5)	(25)	(30)
At the end of the year	**28,188**	**60**	**28,248**	28,930	75	29,005

Provision has been made for the discounted future cost of restoring fields to a condition acceptable to the relevant authorities. The abandonment of the fields is expected to happen at various times between 1 to 35 years from the period end. These provisions have been created based on the Groups' internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

The risk free rate range of 0.25% to 3.02% is used in the calculation of the provision as at 31 March 2014 (2013: Risk free rate range of 0.25% to 3.02%).

21 Pension Scheme

The Group operates a defined contribution pension scheme. The pension charge for the year ended 31 March 2014 represents contributions payable by the Group to pension funds and amounted to £760,000 (2013: £571,000).

Contributions amounting to £321,958 (2013: £97,500) were accrued at 31 March 2014 and are included in creditors.

22 Commitments

The Group's capital commitments comprised:

Capital commitments:	**31 March 2014 £000**	31 March 2013 £000
Obligation under 13th licensing round	**1,320**	2,000
Total capital commitments	**1,320**	2,000

Operating lease commitments:	**Year ended 31 March 2014 £000**	Year ended 31 March 2013 £000
Minimum lease payments under operating leases recognised in profit for the year	**1,919**	1,661
At the balance sheet date the Group had minimum lease payments under non-cancellable operating leases for each of the following years:		
– expiring within 1 year	**505**	496
– expiring within 2 to 5 years	**1,244**	1,634
– over 5 years	**–**	378
Total	**1,749**	2,508

23 Financial instruments and risk management

Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, other than those with carrying amounts that are a reasonable approximation of their fair values, are as follows:

	Carrying amount		Fair value	
	31 March 2014 £000	31 March 2013 £000	**31 March 2014 £000**	31 March 2013 £000
Financial liabilities				
Amortised cost				
Borrowings (floating rate)[1]	**–**	89,710	**–**	89,710
Borrowings (fixed rate)[1]	**108,701**	100,408	**112,326**	103,150
Fair value through profit and loss				
Commodity price derivatives[2]	**50**	9,222	**50**	9,222
Interest rate swaps[2]	**–**	779	**–**	779
Warrants[3]	**6,804**	8,208	**6,804**	8,208

1 The fair value of borrowings and other financial liabilities (hierarchy level 2) have been calculated by discounting the expected future cash flows at prevailing market interest rates for instruments with substantially the same terms and characteristics.
2 The fair value of commodity price derivatives are determined using the Black-Scholes model with adjustments to volatility regarding the type of the option. Interest swaps are determined using discounted cash flow analysis at quoted commodity prices.
3 The fair value of warrants (hierarchy level 2) is estimated using a Black-Scholes valuation model.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For financial instruments there are no non-recurring fair value measurements nor have there been any transfers between levels of the fair value hierarchy.

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at the reporting dates as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2014				
Derivative financial instruments				
Commodity price derivatives	**–**	**50**	**–**	**50**
Warrants	**–**	**6,804**	**–**	**6,804**
Total	**–**	**6,854**	**–**	**6,854**
At 31 March 2013				
Derivative financial instruments				
Commodity price swaps	–	9,222	–	9,222
Interest rate swaps	–	779	–	779
Warrants	–	8,208	–	8,208
Total	–	18,209	–	18,209

The fair values of the commodity price options at 31 March 2014 were provided by counterparties with whom the trades have been entered into. These consist of Asian style put and call options to sell/buy oil. The options are valued using a Black-Scholes methodology; however, certain adjustments are made to the spot-price volatility of oil prices due to the nature of the options. These adjustments are made either through Monte Carlo simulations or through statistical formulae. The inputs to these valuations include the price of oil, its volatility, and risk free interest rates.

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23 Financial instruments and risk management continued

Fair value hierarchy continued

The fair values of the commodity price and interest rate swaps at 31 March 2013 were valued using valuation techniques with market observable inputs. The models incorporate various inputs including the credit quality of the counterparty and forward rate curves of the underlying commodity.

The warrants are valued using Black-Scholes method, which incorporates the inputs as detailed in note 19.

Derivative financial instruments

In the current year the Group has entered into certain put/call options in order to manage its exposure to commodity price risk associated with sales of oil in US dollars.

The outstanding contracts as at 31 March 2014 were as follows:

	Term	Contract amount	Contract price/rate	Contract price/rate	Contract price/rate	Fair value at 31 March 2014 £000
			Buy Put	Sell Call	Buy Call	
GB pound puts	Apr – Jun 2014	60k bbls oil	GBP55.70/bbl	–	–	2
US dollar puts	Apr – Jun 2014	130k bbls oil	US$90/bbl	–	–	3
US dollar calls	Jul – Sept 2014	200k bbls oil	US$90/bbl	US$115.25/bbl	US$125/bbl	(53)
US dollar calls	Oct – Dec 2014	200k bbls oil	US$90/bbl	US$115/bbl	US$125/bbl	(2)

The above derivatives mature over the period from 1 April 2014 to 31 December 2014. During the year to 31 March 2014 oil hedges for 972 thousand barrels (2013: 573 thousand barrels) matured generating a net cost of £2.1 million (2013: £5.9 million).

The outstanding contracts as at 31 March 2013 were as follows:

	Term	Contract amount	Contract price/rate	Average Fixed Price/Rate	Fair value at 31 March 2013 £000
US dollar commodity price swaps	2013–2017	1,251 Mbbls oil	US$90–US$105.65/bbl	US$97.97/bbl	2,060
Pound sterling commodity price swaps	2013–2017	1,610 Mbbls oil	GBP56.70–GBP63.60/bbl	GBP60.74/bbl	7,162
Interest rate swaps	2012–2016	US$51.9m declining to US$22.8m	0.91%–1.36%	1.20%	779

The Group's interest rate swaps matured over the period from 1 April 2013 to 13 December 2016 with a profile linked to the expected repayment of principal on the Macquarie Facilities prior to the refinancing in April 2013. As no derivative instrument was designated for hedge accounting, all gains and losses were recognised immediately in the Income Statement within finance costs. All derivatives at 31 December 2013 were settled in early 2014 as part of the refinancing (see note 18).

Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise borrowings, warrants and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations, including the Group's capital expenditure programme, and to fund acquisitions. The Group has trade and other receivables and cash and cash equivalents that are derived directly from its operations and restricted cash. The Group also enters into derivative transactions.

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the Group's financial targets while protecting future financial security. The Group is exposed to the following risks:
- Market risk, including commodity price and foreign currency risks
- Credit risk
- Liquidity risk

The Group is not exposed to interest rate risk as at 31 March 2014 as all Group's borrowings are at a fixed rate.

Management reviews and agrees policies for managing each of these risks which are summarised below. It is the Group's policy that all transactions involving derivatives must be directly related to the underlying business of the Group. The Group does not use derivative financial instruments for speculative exposures.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market factors, such as commodity price and foreign currency.

The sensitivity analyses below have been prepared on the basis that the amount of net debt and the proportion of financial instruments in foreign currencies are all constant and that financial derivatives are held to maturity. The sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

The following assumptions have been made in calculating the sensitivity analysis:
- The sensitivity of the relevant profit before tax item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2014 and 31 March 2013; and
- The impact on equity is the same as the impact on profit before tax and ignores the effects of deferred tax, if any.

Commodity price risk
The Group is exposed to the risk of fluctuations in prevailing market commodity prices (primarily crude oil) on the mix of oil and gas products it produces. The Group's policy is to manage these risks through the use of derivative financial instruments.

The following table summarises the impact on profit before tax for changes in commodity prices on the fair value of derivative financial instruments. The impact on equity is the same as the impact on profit before tax as these derivative financial instruments have not been designated as hedges and are classified as held-for-trading.

The analysis is based on hedges existing at balance sheet date, the assumption that crude oil price moves 10% over all future periods, with all other variables held constant.

	Increase/(decrease) in profit before tax for the year ended and to equity as at	
	31 March 2014 £000	31 March 2013 £000
10% increase in the price of oil	**(8)**	(15,681)
10% decrease in the price of oil	**8**	15,681

Foreign currency risk
The Group has transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the UK pound sterling, the functional currency of all Group Companies. The Group's sales are denominated in US dollars, and around 5% of costs are denominated in currencies other than the functional currencies of the entities within the Group, primarily US dollars. The Group manages this risk through the use of derivative financial instruments (commodity puts) which fix the price of oil in pounds sterling.

The following table summarises the impact on profit before tax for changes in the US dollar/pound sterling exchange rate on the financial assets and liabilities in the balance sheet at period end. The impact on equity is the same as the impact on profit before tax.

The analysis is based on the assumption that the pound moves 10%, with all other variables held constant.

	Increase/(decrease) in profit before tax for the year ended and to equity as at	
	31 March 2014 £000	31 March 2013 £000
10% strengthening of the pound against the US dollar	**7,938**	8,694
10% weakening of the pound against the US dollar	**(7,938)**	(8,694)

Credit risk
The Group trades only with recognised, creditworthy third parties. It is the Group's policy to assess the credit risk of new customers before entering contracts. Under this policy, each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank and trade references.

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23 Financial instruments and risk management continued

Credit risk continued
The exposure to credit risk from credit sales is not considered significant given the small number of well-established credit customers and zero historic default rate.

At 31 March 2014, the Group had 2 customers (2013: 2) that owed the Group more than £2 million each and accounted for approximately 83% (2013: 90%) of all receivables owing. The need for impairment is analysed at each reporting date on an individual basis for major clients.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and restricted cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent other than if the UK government is a majority shareholder. £28.3 million (2013: £9.8 million) of cash and cash equivalents were held with a single institution.

Refer to note 15 for analysis of trade receivables ageing.

Liquidity risk
The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March based on contractual undiscounted payments:

	On demand £000	< 1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
At 31 March 2014						
Borrowings (fixed rate)	–	**16,181**	**15,708**	**15,178**	**108,271**	**155,338**
Trade and other payables	–	**3,989**	–	–	–	**3,989**
Warrants	–	**6,804**	–	–	–	**6,804**
Derivative financial instruments						
Commodity price derivatives	–	**50**	–	–	–	**50**
	–	**27,024**	**15,708**	**15,178**	**108,271**	**166,181**
At 31 March 2013						
Borrowings (floating rate)	–	89,710	–	–	–	89,710
Borrowings (fixed rate)	–	11,071	10,769	10,491	100,669	133,000
Trade and other payables	–	2,102	–	–	–	2,102
Warrants	–	8,208	–	–	–	8,208
Derivative financial instruments						
Commodity price swaps	–	9,222	–	–	–	9,222
Interest rate swaps	–	779	–	–	–	779
	–	121,092	10,769	10,491	100,669	243,021

Management considers that the Group has adequate current assets and forecast cash from operations to manage liquidity risks arising from current liabilities and non-current liabilities.

Capital management
The Group manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Group's funding needs are met through a combination of debt and equity (2013: funding requirements met through a combination of debt and equity) and adjustments are made in light of changes in economic conditions. The Group's capital structure changed in the period to 31 March 2012 as a result of the acquisitions it made and the related financing. The Group's strategy is to maintain ratios in line with covenants associated with the issued bonds.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group includes within net debt, interest bearing bank loans less cash and cash equivalents and restricted cash. Capital includes share capital, share premium, other reserves and accumulated losses.

24 Share capital

On 31 December 2007 the Company completed a reverse takeover whereby Island Gas Limited became a wholly-owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the Ordinary Share capital of the combined entity (the "Reverse").

In accordance with the required accounting for a reverse, the nominal value of the Company's share capital is not reflected in the Group's consolidated equity. For the purposes of the consolidated accounts share capital was recorded at the date of the Reverse at a value equal to the deemed cost of the Reverse, being the adjusted market value of the Company as last quoted immediately prior to the announcement of the Reverse, plus the equity of IGL; the effective acquiring Company.

	Ordinary Shares		Deferred Shares Restated	
	No.	£000 Nominal value	No.	£000 Nominal value
Issued and fully paid				
1 April 2012, Ordinary Shares of 50p each	162,204,909	81,102	–	–
16 August 2012 share conversion of each issued				
Ordinary Shares of 50p each into:	(162,204,909)	(81,102)	–	–
New Ordinary Shares of 10p each*	162,204,909	16,220	–	–
New Deferred Shares of 40p each*	–	–	162,204,909	64,882
Cancellation of Deferred Shares of 40p each*	–	–	(162,204,909)	(64,882)
15 January 2013 shares issued at a price of 95p each	24,330,730	2,433	–	–
31 March 2013, Ordinary Shares of 10p each	186,535,639	18,653	–	–
31 March 2013, Deferred Shares of 40p each (Restated)	–	–	–	–
22 April 2013 shares issued at a price of 77p each	475,002	48	–	–
22 June 2013 shares issued at a price of 55.8p each	3,000,000	300	–	–
23 July 2013 shares issued at a price of 83p each	70,934	7	–	–
26 July 2013 shares issued at a price of 10p each	2,975,656	297	–	–
15 August 2013 shares issued at a price of 55.8p each	2,000,000	200	–	–
22 October 2013 shares issued at a price of 101p each	87,696	9	–	–
5 December 2013 shares issued at a price of 115p each	7,488,301	749	–	–
22 Jan 2014 shares issued at a price of 55.8p each	2,000,001	200	–	–
22 Jan 2014 shares issued at a price of 101p each	91,533	9	–	–
31 March 2014, Ordinary Shares of 10p each	**204,724,762**	**20,472**	**–**	**–**
31 March 2014, Deferred Shares of 40p each	**–**	**–**	**–**	**–**

* On 16 August 2012 the Company converted each Ordinary Share of 50p each into a New Ordinary Share of 10p each and a New Deferred Share of 40p each pursuant to an obligation to Macquarie Bank Limited under the terms of the warrants issued during the period ended 31 March 2012. The New Ordinary Shares carry the same rights as attached to Ordinary Shares. Deferred Shares have no voting rights and shall not be entitled to any dividends or any other right or participation in the profits of the Company. The Company had the right to purchase all the issued New Deferred Shares from all Shareholders for an aggregate consideration of one penny. On 16 August 2012, the Company repurchased the New Deferred Shares from all Shareholders for an aggregate consideration of one penny. These shares were subsequently cancelled by the Company.

Accordingly, the Group share capital account comprised:

	£000 As Restated
Share capital account	
At 1 April 2012	54,213
Shares issued during the year	2,433
Cancellation of deferred shares	(41,239)
At 31 March 2013 (Restated)	15,407
Shares issued during the year	**1,819**
At 31 March 2014	**17,226**

25 Share premium and capital redemption reserve account

Share premium

The share premium account of the Group arises from the capital that the Company raises upon issuing shares for consideration in excess of the nominal value of the shares, net of the costs of issuing the new shares. During the year the Company issued 18,189,123 Ordinary Shares at a nominal value of 10p each (2013: 24,330,730 shares issued). The cost of these issues was £nil million (2013: £0.9 million). Together these events resulted in a net movement in the Share Premium reserve of £11.6 million (2013: £19.7 million).

Consolidated Financial Statements – Notes
continued

25 Share premium and capital redemption reserve account continued

Capital redemption reserve

During the year ended 31 March 2013 the Company repurchased 100% of its outstanding deferred shares which had been issued with a nominal value of 40p each. These deferred shares were subsequently cancelled by the Company. This resulted in a reduction in share capital and a corresponding recognition of a Capital Redemption Reserve of £41.2 million.

26 Other reserves

Other reserves can be analysed as follows:

	Warrant/Share Plan Reserves £000	Treasury Shares £000	Capital Contributions £000	Total £000
Balance 1 April 2012	112	(1,299)	47	(1,140)
Employee share plans – cost under IFRS 2	343	–	–	343
Capital contribution	–	–	–	–
Balance 31 March 2013	455	(1,299)	47	(797)
Employee share plans – cost under IFRS 2	577	–	–	577
Employee share plans – shares issued under the SIP	–	(447)	–	(447)
Balance 31 March 2014	**1,032**	**(1,746)**	**47**	**(667)**

Employee share plans – Equity settled

Details of the Share Options under employee share plans outstanding during the year are as follows:

	2011 LTIP		2010 LTIP		Share Option Plan	
	Number of Options	Weighted average exercise price (pence)	Number of Options	Weighted average exercise price (pence)	Number of Options	Weighted average exercise price (pence)
Outstanding at 1 April 2012	2,107,485	–	50,000	–	411,274	70
Granted during the year	1,071,542	–	–	–	–	–
Forfeited during the year	–	–	(50,000)	–	(237,773)	(70)
Lapsed during the year	–	–	–	–	(173,501)	(70)
Exercised during the year	–	–	–	–	–	–
Outstanding at 31 March 2013	3,179,027	–	–	–	–	–
Exercisable at 31 March 2013	–	–	–	–	–	–
Granted during the year	466,203	–	–	–	–	–
Forfeited during the year	(48,730)	–	–		–	–
Lapsed during the year	–	–	–	–	–	–
Exercised during the year	–	–	–		–	–
Outstanding at 31 March 2014	**3,596,500**	**–**	**–**	**–**	**–**	**–**
Exercisable at 31 March 2014	**–**	**–**	**–**	**–**	**–**	**–**

Long Term Incentive Plan 2011 ("2011 LTIP")

In November 2011 the Company adopted a Long Term Incentive Plan scheme for certain key employees of the Group. Under the LTIP, participants can each be granted nil cost options over up to 300% of remuneration for the Initial Award and up to 150% of remuneration for the Annual Award (subject to an overall plan limit of 10% of the issued share capital of the Company for all participants). The LTIP has a three year performance period and awards vest subject to share price performance exceeding the Company's weighted average cost of capital of 10%. On a change of control prior to the third anniversary of the grant date, a proportion of the options that vest will take into account items such as the time the Option has been held by the participant and the performance achieved in the period from the grant date. Other than on a change of control, 100% of vested awards can be exercised and sold on vesting.

There were no LTIPs exercised during the year. The LTIPs outstanding at 31 March 2014 had both a weighted average remaining contractual life and maximum term remaining of 7.8 years (2013: 8.5 years).

The total charge for the year was £297 thousand (2013: £218 thousand). Of this amount, £97 thousand was capitalised (2013: £26 thousand) and £200 thousand was charged to the Income Statement (2013: £192 thousand) in relation to the fair value of the awards granted under the plan measured at grant date using a Monte Carlo Simulation Model.

26 Other reserves continued

Long Term Incentive Plan 2011 ("2011 LTIP") continued

The inputs into the Monte Carlo models were as follows:

	2011 LTIP	
	Granted Nov 11	Granted Sep 13
Weighted average share price	50.5p	102.0p
Weighted average exercise price	Nil	Nil
Expected volatility	35%	43%
Expected life	6.5 years	6.5 years
Risk-free rate	0.70%	0.85%
Expected dividends	0%	0%
Weighted average fair value of awards granted	23.12p	50.90p

Long Term Incentive Plan 2010 ("LTIP")

In October 2010 the Company adopted a Long Term Incentive Plan scheme for certain key employees of the Group. Under the LTIP, participants could each be granted nil cost options over up to 1.5% of the issued share capital of the Company (subject to an overall plan limit of 7.5% of the issued share capital of the Company for all participants). The LTIP had a three year performance period and awards vested subject to the achievement of stretching share price targets. On a change of control prior to the third anniversary of the grant date, a revised share price target reflecting the reduction in the performance period shall instead be used to determine the extent to which LTIP options vest. Other than on a change of control, 50% of vested awards could be exercised and sold on vesting, with the remaining 50% becoming exercisable on the first anniversary of vesting. There were no LTIPs outstanding at 31 March 2014 (31 March 2013: nil).

The total charge of £nil (2013: £2 thousand) for the year was charged to the Income Statement in relation to the fair value of the awards granted under the LTIP scheme measured at grant date using a Monte Carlo Simulation Model.

The key assumptions made in arriving at the Monte Carlo valuations were: share price on date of valuation, adjusted for subsequent consolidations where appropriate and the length of time for which the LTIPs were expected to remain exercisable. A risk free interest rate of 1.09% and an implied volatility of 35% were used in valuing the LTIPs at the time of granting. It was also assumed that no dividends would be paid during the life of the LTIPs.

Share Option Plan

In October 2010 the Company adopted a Share Option Plan for certain key employees of the Group. Both executives and employees could participate in the Share Option Plan. Typically each individual participant could be granted options under the Share Option Plan with a market value at grant of up to 100% of his base salary, although this limit could be exceeded in exceptional circumstances. Share Options vested in three equal tranches over a three year period from the date of grant and vested options were exercisable subject to the attainment of a Company share price target.

2010 grants under the Share Option Plan were subject to an exercise price of 70p per share.

There were no options exercised during the year. There were no unvested options outstanding at 31 March 2014.

The total charge for the year was £nil thousand (2013: £nil). Awards granted under the Share Option scheme are measured at grant date using a Monte Carlo Simulation Model.

The key assumptions made in arriving at the Monte Carlo valuations were: share price on date of valuation, adjusted for subsequent consolidations where appropriate and the length of time for which the options were expected to remain exercisable. A risk free interest rate of 1.09% and an implied volatility of 35% were used in valuing the options at the time of granting. It was also assumed that no dividends would be paid during the life of the options.

Other share based payments

During the year, certain employees agreed to settle bonuses earned in the year ended 31 March 2014 in Share Options. The number of Share Options issued was 190,710 (31 March 2013: 216,850) with a fair value of £177 thousand (31 March 2013: £149 thousand), measured indirectly with reference to the value of the option. Due to the fact that the options vested immediately with £nil strike price and no conditions, the fair value of the option equals the market price of the share at the grant date. There were no options exercised during the year. The options outstanding at 31 March 2014 had both a weighted average remaining contractual life and a maximum term of 8.6 years (31 March 2013: 8.75 years).

Consolidated Financial Statements – Notes
continued

26 Other reserves continued

Other share based payments continued
In 2013, the Group adopted an Inland Revenue approved Share Investment Plan ("SIP") for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to acquire up to £125 (or 10% of salary, if less) worth of IGas Ordinary Shares per month or £1,500 per annum. Under the SIP employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one or two-for-one basis.

The total charge for the year was £102 thousand (2013: £nil).

Treasury shares
The Treasury shares of the Group have arisen in connection with;

The shares issued to the IGas Employee Benefit Trust, of which the Company is the sponsoring entity. The value of such shares is recorded in the share capital and share premium accounts in the ordinary way and is also shown as a deduction from equity in this separate reserve account; there is therefore no net effect on shareholders' funds. During the year ended to 31 March 2014 there were no shares issued to the Employee Benefit Trust (2013: nil).

Capital contribution
The capital contribution of £47 thousand was received in cash following the acquisition of IGAS Exploration UK Limited.

27 Related party transactions

The information below sets out transactions and balances between the Group and related parties in the normal course of business for the year ended 31 March 2014.

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Nexen Petroleum UK Limited are no longer considered related by virtue of having less than a 20% share interest in the Group.

F Gugen currently holds US$2.80 million bonds issued by the Group. These bonds earn interest at 10% per annum. In the year ended 31 March 2014, interest paid was US$0.4 million (2013: US$nil). Accrued interest at 31 March 2014 amounted to US$7.8 thousand (31 March 2013: US$13.9 thousand).

C McDowell currently holds US$0.29 million bonds issued in the Group. These bonds earn interest at 10% per annum. In the year ended 31 March 2014, the interest paid was US$0.03 million (2013: US$nil). Accrued interest at 31 March 2014 amounted to US$0.8 thousand (31 March 2013: US$nil).

The Directors of the Company are considered to be the only key management personnel as defined by IAS 24 – Related Party Disclosures. Transactions with key management personnel were as follows:

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Short-term employee benefits	**2,039**	1,946
Share plan	**186**	162
	2,225	2,108

Short-term employee benefits: These amounts comprise fees paid to the Directors in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Share plan: This is the cost to the Group of Directors' participation in LTIPs and Share Option Plans, as measured by the fair value of LTIPs and options granted, accounted for in accordance with IFRS 2.

Further details regarding the remuneration of the Directors of the Group are disclosed in note 5.

28 Subsequent events

Acquisitions

On 9 May 2014, the Company and Dart Energy limited (''Dart'') announced that they have reached an agreement on the terms of a recommended acquisition by IGas of Dart, which values the total share capital of Dart at approximately A$211.5 million on a fully diluted basis (being equivalent to £117.1 million). The acquisition will be via an Australian Scheme of Arrangement on a share exchange basis.

The combination will create a market leading onshore UK oil and gas Company with the largest area in the UK under licence of over 1 million net acres including major UK shale basins.

It is anticipated that the transaction will be completed in September 2014.

Hedging

In May 2014, the Group entered into new hedging arrangements by acquiring a series of put and call options for c.167,000 barrels at US$90/barrel and equivalent GBP over the period January to March 2015.

Issued Shares

On 8 April 2014, Macquarie exercised warrants over 1,500,000 ordinary 10p shares. The warrants were exercised at 55.8p per share.

On 22 April 2014, the Company issued 91,239 Ordinary 10p shares in relation to the Groups SIP scheme.

29 Restatement

As previously disclosed, during the year ended 31 March 2013 the Company repurchased 100% of its outstanding deferred shares. The deferred shares were not listed and therefore did not qualify as shares held in treasury. These shares were subsequently cancelled by the Company. As a result the prior year comparative information has been restated to reflect the cancellation of these deferred shares. This has resulted in a reduction in share capital of £41.2 million and a corresponding recognition of a Capital Redemption Reserve of £41.2million. There is no net effect on Shareholders' funds.

Parent Company Financial Statements – Directors' Statement of Responsibilities in Respect Thereof

The Directors are responsible for preparing the Annual Report and Parent Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union ("IFRSs").

Under Company Law the Directors must not approve the Company financial statements unless they are satisfied that they present fairly the financial position of the Parent Company and its financial performance and cash flows for that period. In preparing the Parent Company financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Parent Company's financial position and financial performance;
- state that the Parent Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgments and estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditor's Report to the Members of IGas Energy plc

We have audited the parent company financial statements of IGas Energy plc for the year ended 31 March 2014 which comprise the Parent Company Statement of Comprehensive Income, the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity, the Parent Company Cash Flow Statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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 Directors' Statement of Responsibilities, the Directors are responsible for the preparation of the parent company 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 parent company 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 (APB'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 parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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 parent company 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 and 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.

Other matter

We have reported separately on the Group financial statements of IGas Energy plc for the year ended 31 March 2014.

Daniel Trotman
(Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 June 2014

Parent Company Statement of Comprehensive Income

For the year ended 31 March 2014

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Profit/(loss) for the year	**17,889**	(26,117)
Other comprehensive income for the year	**–**	–
Total comprehensive profit /(loss) for the year	**17,889**	(26,117)

Parent Company Balance Sheet

As at 31 March 2014

	Notes	31 March 2014 £000	31 March 2013 £000 Restated (note 18)
Non-current assets			
Investments in subsidiaries	2	**255,401**	217,912
Property, plant and equipment	3	**369**	57
		255,770	217,969
Current assets			
Trade and other receivables	4	**45,453**	55,745
Cash and cash equivalents	5	**16,655**	3,596
Other financial assets – Restricted cash	5	**–**	102,865
		62,108	162,206
Current liabilities			
Trade and other payables	6	**(55,973)**	(75,694)
Borrowings – Bond	8	**(4,948)**	(5,466)
Borrowings – Macquarie	8	**–**	(89,710)
Other liabilities	9	**(6,804)**	(8,208)
Derivative financial instruments	11	**–**	(779)
		(67,725)	(179,857)
Net current liabilities		**(5,617)**	(17,651)
Total assets less current liabilities		**250,153**	200,318
Non-current liabilities			
Borrowings – Bond	8	**(103,753)**	(94,942)
		(103,753)	(94,942)
Net assets		**146,400**	105,376
Capital and reserves			
Called up share capital	12	**20,472**	18,653
Share premium account	13	**62,825**	41,639
Capital redemption reserve	13	**64,882**	64,882
Merger reserve	14	**22,222**	22,222
Other reserves	15	**(667)**	(797)
Accumulated deficit		**(23,334)**	(41,223)
Shareholders' funds		**146,400**	105,376

These financial statements were approved and authorised for issue by the Board on 25 June 2014 and are signed on its behalf by:

Andrew Austin
Chief Executive Officer

Stephen Bowler
Chief Financial Officer

Parent Company Statement of Changes in Equity
For the year ended 31 March 2014

	Called up share capital (note 12) £000 Restated	Share premium account (note 13) £000	Capital redemption reserve (note 13) £000 Restated	Merger reserve (note 14) £000	Other reserves (note 15) £000	Accumulated deficit £000	Total £000
Balance at 1 April 2012	**81,102**	**21,928**	**–**	**22,222**	**(1,140)**	**(15,134)**	**108,978**
Changes in equity for the year ended 31 March 2013 (Restated)							
Total comprehensive loss for the year	–	–	–	–	–	(26,117)	(26,117)
Employee share plans (note 15)	–	–	–	–	343	28	371
Cancellation of Deferred Shares (note 13)	(64,882)	–	64,882	–	–	–	–
Issue of Shares	2,433	19,711	–	–	–	–	22,144
Balance at 31 March 2013 (Restated)	**18,653**	**41,639**	**64,882**	**22,222**	**(797)**	**(41,223)**	**105,376**
Changes in equity for the year ended 31 March 2014							
Total comprehensive profit for the year	–	–	–	–	–	17,889	17,889
Employee share plans (note 15)	–	–	–	–	130	–	130
Warrants exercised (note 9)	–	9,508	–	–	–	–	9,508
Issue of shares	1,819	11,678	–	–	–	–	13,497
Balance at 31 March 2014	**20,472**	**62,825**	**64,882**	**22,222**	**(667)**	**(23,334)**	**146,400**

Parent Company Cash Flow Statement

For the year ended 31 March 2014

	Notes	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Operating activities:			
Profit/(loss) for the year		**17,889**	(26,117)
Depreciation, depletion and amortisation		**87**	25
Share based payment charge		**75**	54
Finance income		**(18,587)**	(5,678)
Finance costs		**22,320**	28,028
(Increase)/decrease in trade and other receivables		**150**	122
(Decrease) in trade and other payables		**(962)**	(1,009)
Net cash from/(used) in operating activities		**20,972**	(4,575)
Investing activities			
Acquisition of property, plant and equipment		**(399)**	(10)
Loans granted to subsidiaries**		**(26,543)**	(13,951)
Interest received		**44**	20
Net cash used in investing activities		**(26,898)**	(13,941)
Financing activities			
Cash proceeds from issue of Ordinary Share Capital net of issue costs	13	**4,451**	23,144
Share issue costs	13	**–**	(970)
Interest paid		**(10,458)**	(6,692)
Cash proceeds from loans and borrowings*		**33,724**	21,410
Loan issue costs		**(3,690)**	(1,887)
Repayment of loans and borrowings		**(5,128)**	(16,735)
Net cash from financing activities		**18,899**	18,240
Net increase/(decrease) in cash and cash equivalents in the year		**12,973**	(275)
Net foreign exchange difference		**86**	419
Cash and cash equivalents at the beginning of the year		**3,596**	3,452
Cash and cash equivalents at the end of the year	5	**16,655**	3,596

* Cash proceeds from loans and borrowings are shown net and consists of gross proceeds from bond borrowings of £126.2 million less repayment of Macquarie loan of £89.7 million and hedges and early cancellation fees of £2.8 million. Further details on the repayment of the Macquarie loan can be found in note 8.

** Loan repaid was not settled in cash (see note 2).

Parent Company Financial Statements – Notes
As at 31 March 2014

1 Accounting policies

(a) Basis of preparation of financial statements

The Parent Company financial statements of IGas Energy plc (the "Company") have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards, adopted for use by the European Union ("IFRSs") as they apply to the Company for the year ended 31 March 2014, and with the Companies Act 2006. The accounts were approved by the board and authorised for issue on 25 June 2014. IGas Energy plc is a public limited Company incorporated, registered in England and Wales and is listed on the Alternative Investment Market ("AIM").

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

As a Consolidated Income Statement is published in this Annual Report, a separate Income Statement for the Company is not presented within these financial statements as permitted by Section 408 of the Companies Act 2006.

During the year, the Company adopted the following new and amended IFRSs which were applicable to the Company's activities as of 1 April 2013.

		Effective date
International Accounting Standards (IFRS/IAS):		
IFRS 7	IFRS 7 – Financial Instruments: Disclosures. The amendments to IFRS 7 on offsetting of financial instruments are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The Company has considered the effect of this amendment and has concluded that there has not been a material impact on the financial statements.	1 January 2013
IFRS 13	IFRS 13 – Fair Value Measurement – IFRS 13 defines fair value, setting out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new standard also requires new disclosures to assist users to understand the valuation techniques and inputs used to develop fair value measurement and the effect of fair value measurement on profit and loss. The relevant disclosures is provided in note 11. The Group has concluded that there has not been a material impact on the measurement of assets and liabilities.	1 January 2013

1 Accounting policies continued

(a) Basis of preparation of financial statements continued

New and amended standards and interpretations

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

International Accounting Standards (IFRS/IAS)		For financial period commencing on or after
IFRS 9	IFRS 9 – Financial Instruments	Not yet stated
IAS 19	IAS 19 – Employee Benefits (Revised)	1 July 2014
IAS 32	IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36	IAS 36 – Recoverable Amount Disclosures for Non – Financial Assets disposal	1 January 2014

The Company does not anticipate that the adoption of these standards and interpretations will either individually or collectively have a material impact on the Company's financial statements in the period of initial application. The Company does not anticipate adopting these standards and interpretations ahead of their effective date.

(b) Going concern

The Company regularly monitors forecasts to determine that breaches in covenants are not anticipated to occur in the future. On the basis of the Company's current forecasts, no breaches in covenants are anticipated. However these forecasts are based on certain assumptions particularly in relation to oil prices, production rates, operating costs, capital and general expenditure. After reviewing the Company's budgets and cash flow projections for 2014 and 2015, and taking into consideration the current operating environment, mitigating factors which are within the control of the Group, the risks and the Company's liquidity risk management outlined in note 11, the Directors are satisfied that the Company has adequate resources to continue as a going concern. It is therefore appropriate to adopt the going concern basis in preparing the 2013-2014 Annual Report and Financial Statements.

(c) Significant accounting judgements and estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Carrying value of investment in subsidiaries:

The Company evaluates investments in subsidiaries that have been accounted for at fair value of consideration paid at acquisition less provision for impairment as described in (d) below. Any impairment review, where required, involves estimates and associated assumptions related to matters (when appropriate), such as recoverable reserves; production profiles; forward gas and electricity prices; development, operational and offtake costs; nature of land access agreements and planning permissions; application of taxes, and other matters. Where the final outcome or revised estimates related to such matters differ from the estimates used in any earlier impairment reviews, the results of such differences, to the extent that they actually affected any impairment provisions, are accounted for when such revisions are made. Details of the Company's investments are disclosed in note 2.

Functional currency

The determination of a Company's functional currency often requires significant judgement where the primary economic environment in which it operates may not be clear. The Company reconsiders the functional currency of its entities if there is a change in the events and conditions which determines the primary economic environment.

Parent Company Financial Statements – Notes
continued

1 Accounting policies continued

(d) Non-current assets

Investments in subsidiaries

Investments in Group Companies held as non-current assets are held at cost less provision for impairment unless the investments were acquired in exchange for the issue or part issue of shares in the Company, when they are initially recorded in the Company's balance sheet at the fair value of the shares issued together with the fair value of any consideration paid, including costs of acquisition less any provision for impairment which may subsequently be required.

The Company's investments in Group Companies held as non-current assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable, when impairment is calculated on the basis as set out below. Any impairment is charged to the Income Statement.

Loans to Group Companies are stated at amortised cost.

Impairment

Impairment reviews, when required as described above, are carried out on the following basis:

- By comparing any amounts carried as investments held as non-current assets with the recoverable amount.
- The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The Company generally assesses value in use using the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the investment will be increased to the lower of its original carrying value and the carrying value that would have been determined had no impairment loss been recognised in prior periods.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives at the following rates, with any impairment being accounted for as additional depreciation:

Buildings	– over five years on a straight line basis
Fixtures, fittings and equipment	– between three and five years on a straight line basis
Motor Vehicles	– over four years on a straight line basis

(e) Financial Instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with original maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

Other financial assets – Restricted cash

Where cash is held in escrow, funds are only classified as cash and cash equivalents when monies are transferred to and under the control of the Company.

Trade and other receivables

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

Trade and other payables

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

Impairment of financial assets

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

1 Accounting policies continued

(e) Financial Instruments continued

Warrants

When warrants do not qualify as equity instruments under IAS 39 due to the variable number of shares that would be issued in each case they are accounted for as financial liabilities. The warrants are initialised at fair value on the date they are issued and are subsequently remeasured to fair value at each period end. All changes in fair value are recognised in the Income Statement.

Borrowings

Borrowings are measured initially at fair value. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process. When management's estimates of the amounts or timings of cashflows are revised, borrowings are re-measured using the revised cash flow estimates under the original effective interest with any consequent adjustment being recognised in the Income Statement.

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 EIR. The EIR amortisation is included in finance costs in the Income Statement.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

(f) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating leases

Rentals are charged to the Income Statement in the year on a straight line basis over the period of the lease.

(g) Taxation

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

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

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

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

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

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

Parent Company Financial Statements – Notes
continued

1 Accounting policies continued

(h) Share based payments
Where Share Options or warrants are awarded to employees (including Directors), the fair value of the options or warrants at the date of the grant is recorded in equity over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including market vesting conditions, are factored in to the fair value of the options or warrants granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition; although equity no longer required for options or warrants may be transferred to another equity reserve.

Where the terms and conditions of options or warrants are modified before they vest, the increase in the fair value of the options, measured by the change from immediately before to after the modification, is also recorded in equity over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

Charges corresponding to the amounts recognised in equity are accounted as a cost against the profit and loss which will usually be to the Parent Company Income Statement unless the services rendered qualify for capitalisation as a non-current asset Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition or intangible exploration and evaluation assets or property, plant and equipment.

Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, the value of such shares at issue will be recorded in share capital and share premium account in the ordinary way, but will not affect shareholders' funds since this same value will be shown as a deduction from shareholders' funds by way of a separate component of equity (Treasury shares).

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

(j) Foreign Currency
Transactions denominated in currencies other than the functional currency UK pound sterling are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the Income Statement.

2 Non-current assets – investments in subsidiaries
Investments in subsidiaries comprises:

Parent Company	**2014** Investment in Group Companies £000	**2014** Loans to Group Companies £000	**2014** Total £000	2013 Investment in Group Companies £000	2013 Loans to Group Companies £000	2013 Total £000
At beginning of year	**90,472**	**127,440**	**217,912**	90,154	100,000	190,154
Additions	**22,857**	**36,954**	**59,811**	318	27,440	27,758
Repayment	**–**	**(22,322)**	**(22,322)**	–	–	–
At end of year	**113,329**	**142,072**	**255,401**	90,472	127,440	217,912

2 Non-current assets – investments in subsidiaries continued

The subsidiary undertakings of the Company at 31 March 2014 which are all 100% owned directly or indirectly by the Company and are all incorporated in England and Wales, were:

Name	Principal activity
Island Gas Limited	Exploration for and evaluation, production and marketing of oil and gas
Island Gas (Singleton) Limited	Production and marketing of oil and gas
Island Gas Operations Limited	Electricity Generation
IGas Energy (Caithness) Limited	Production and marketing of oil and gas
IGas Exploration UK Limited	Production and marketing of gas
Star Energy Group Limited	Service Company
Star Energy Limited	Service Company
Star Energy Weald Basin Limited	Processing of oil and gas
Star Energy Oil and Gas Limited	Service Company
Star Energy (East Midlands) Limited	Dormant
Star Energy Oil UK Limited	Dormant

3 Property, plant and equipment

	Buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2012	–	85	20	105
Additions	3	7	–	10
Disposals	–	–	–	–
At 31 March 2013	3	92	20	115
Additions	355	44	–	399
Disposals	–	–	–	–
At 31 March 2014	**358**	**136**	**20**	**514**
Amortisation and impairment				
At 1 April 2012	–	22	11	33
Charge for the year	–	20	5	25
At 31 March 2013	–	42	16	58
Charge for the year	56	27	4	87
At 31 March 2014	**56**	**69**	**20**	**145**
Net book amount				
At 31 March 2013	3	50	4	57
At 31 March 2014	**302**	**67**	**–**	**369**

Parent Company Financial Statements – Notes
continued

4 Trade and other receivables

	31 March 2014 £000	31 March 2013 £000
Amounts falling due within one year:		
VAT recoverable	**226**	63
Other debtors	**695**	35
Amounts due from subsidiary undertakings	**44,401**	55,436
Prepayments	**131**	211
	45,453	55,745

The carrying value of each of the Company's financial assets as stated above being other debtors and amounts due from subsidiary undertakings is considered to be a reasonable approximation of its fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of assets listed in the table above.

5 Cash and cash equivalents

	31 March 2014 £000	31 March 2013 £000
Cash at bank and in hand	**16,655**	3,596
	16,655	3,596

The carrying value of the Company's cash and cash equivalents as stated above is considered to be a reasonable approximation of their fair value.

The Company only deposits cash surpluses with major banks that have acceptable credit ratings of "A" or better, except that the Company will make deposits with banks where the UK government is the major shareholder.

Other financial assets – Restricted cash

	31 March 2014 £000	31 March 2013 £000
Restricted cash	**–**	102,865
	–	102,865

On 22 March 2013 the Company raised bonds to a value of US$156.2 million. The cash relating to these bonds were received into, and held in escrow, remaining restricted until all of the conditions precedent were satisfied in relation to the Bond issue.

On 10 April 2013, all conditions precedent were met by the Company and the funds in escrow were reclassified as cash and cash equivalents. Part of these funds were used to repay the bank facility agreement with Macquarie Bank Ltd, plus outstanding interest and all associated break fees, termination fees and costs of closing out the hedges. See note 8 for further details of the refinancing.

6 Current liabilities

	31 March 2014 £000	31 March 2013 £000
Trade and other payables:		
Trade creditors	**115**	71
Taxation and social security	**59**	96
Amounts due to subsidiary undertakings	**54,475**	69,161
Accruals and other creditors	**1,324**	6,366
	55,973	75,694

The carrying value of each of the Company's financial liabilities being trade creditors is considered to be a reasonable approximation of its fair value. All trade creditors are payable within one month and no creditor has been outstanding for longer than three months (2013: all within one month).

7 Taxation

Tax losses, none of which are considered sufficiently certain of utilisation to recognise deferred tax assets, amount to:

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Excess management expenses	**17,995**	20,976
Related to share based payment transactions	**739**	301

Excess management expenses may only be offset against future profits, if any, of the Company generated in its capacity as a Group holding Company.

8 Borrowings

Borrowings are measured at amortised cost in accordance with IAS 39.

	31 March 2014			31 March 2013		
	Within 1 year £000	**Greater than 1 year £000**	**Total £000**	Within 1 year £000	Greater than 1 year £000	Total £000
Bonds – secured*	**4,948**	**87,186**	**92,134**	5,466	94,942	100,408
Bonds – unsecured*	**–**	**16,567**	**16,567**	–	–	–
Sub total	**4,948**	**103,573**	**108,701**	5,466	94,942	100,408
Macquarie	**–**	**–**	**–**	89,710	–	89,710
Total	**4,948**	**103,573**	**108,701**	95,176	94,942	190,118

* Transaction costs of raising debt of £3.7 million (2013: £2.8 million) have been netted off against the liability.

Parent Company Financial Statements – Notes
continued

8 Borrowings continued
Bond Issuance
Secured Bonds
On 21 March 2013, the Company and Norsk Tillitsmann ("Bond Trustee") entered into a Bond Agreement for the Company to issue up to US$165.0 million secured bond issue, At 31 March 2013 US$156.2 million bonds had been sold and with the funds paid into escrow.

By 10 April 2013, the conditions precedent under the bond agreement were met, with the related cash then released from escrow to the Company. Part of the net proceeds of the Bonds were used to repay the outstanding loan balance with Macquarie Bank Ltd, plus outstanding interest and all associated break fees, termination fees and to pay costs associated with closing out hedges. The remainder is being used for general corporate purposes of the Company.

The Bond carries a coupon of 10% per annum (where interest is payable semi-annually in arrears) and semi-annual amortisation of 2.5% of initial loan amount Final maturity on the notes will be 22 March 2018.

The Bond Agreement contains certain representations, warranties and covenants customary for an instrument of this nature. Such covenants include the provision of financial and reporting information, compliance with environmental law, maintenance of financial ratios and certain restrictions on mergers, acquisitions, joint ventures, granting of security, disposals, issuances of loans, incurrence of financial indebtedness and on payments of dividends by the Company and its operating subsidiaries. The Bond Agreement also contains customary events of default, the occurrence of which allows The Bond Trustee (on behalf of the bond holders) to accelerate outstanding bonds and terminate the commitments.

Unsecured Bonds
On 11 December 2013, the Company and Norsk Tillitsmann ("Bond Trustee") entered into a Bond Agreement for the Company to issue US$30.0 million unsecured bond issue, issued at 96% of par. The new bonds were listed on the Alternative bond market in Oslo and the proceeds are to be used for general corporate purposes.

The Bond carries a coupon of 10% per annum (where interest is payable semi-annually in arrears) and has a borrowing limit of US$60.0 million. Final maturity on the notes will be 11 December 2018.

The Bond Agreement contains certain representations, warranties and covenants customary for an instrument of this nature. Such covenants include the provision of financial and reporting information, compliance with environmental law, maintenance of financial ratios and certain restrictions on mergers, acquisitions, joint ventures, granting of security, disposals, issuances of loans, incurrence of financial indebtedness and on payments of dividends by the Company and its operating subsidiaries. The Bond Agreement also contains customary events of default, the occurrence of which allows The Bond Trustee (on behalf of the bond holders) to accelerate outstanding bonds and terminate the commitments.

Macquarie financing
At 31 March 2013, the Group had outstanding borrowings with Macquarie (Macquarie facilities) but was undergoing a refinancing. In accordance with IAS 1 the Macquarie facilities were re-classified as current liabilities as at 31 March 2013 as the Company had intended to repay these facilities upon completion of the Bonds. The facilities were re-measured to £89.7 million at 31 March 2013 to take into account the change in the estimated future cashflows to repay the Macquarie facilities. A £7.6 million loss on re-measurement was recognised in finance costs in the Income Statement for the year ended 31 March 2013. On 10 April 2013, the Macquarie facilities were repaid in full, being the re-measured amount, plus £0.3 million of accrued interest.

9 Other liabilities

	£000
At 1 April 2012	2,806
Warrants issued during year	–
Revaluation loss	5,402
As at 31 March 2013	8,208
Warrants issued during year	–
Warrants exercised during year	(9,508)
Revaluation loss	8,104
As at 31 March 2014	**6,804**

During the year the Group issued 9,975,657 Ordinary Shares with a nominal value of 10p each upon the exercise of £9.5 million warrants (31 March 2013: nil shares issued).

Warrants issued can be exercised in three different ways and, although the cost to the Company would be the same under each exercise option, these warrants do not qualify as equity instruments under IAS 39 due to the variable number of shares that would be issued in each case. Accordingly they have been accounted for as financial liabilities.

All warrants vested on grant and accordingly the key assumptions made in arriving at the Black-Scholes valuations were: share price on date of valuation, adjusted for subsequent consolidations where appropriate and the length of time for which the warrants were expected to remain exercisable. A risk free interest rate of 1.09% and an implied volatility of 35% were used in valuing the warrants at the time of granting, and an interest rate of 1.38% and an implied volatility of 43.13% at 31 March 2014. It was also assumed that no dividends would be paid during the life of the warrants.

The movements in warrants during the period were as follows:

	No	Weighted average exercise price (pence)
At 1 April 2012	21,286,646	55.8
Granted in year	–	–
Lapsed in year	–	–
Outstanding at 31 March 2013	21,286,646	55.8
Exercisable at 31 March 2013	21,286,646	55.8
Granted in year	–	–
Lapsed in year	–	–
Exercised in the year	12,286,646	55.8
Outstanding at 31 March 2014	**9,000,000**	**55.8**
Exercisable at 31 March 2014	**9,000,000**	**55.8**

The weighted average remaining contractual life for the warrants outstanding as at 31 March 2014 is 3.75 years.

10 Commitments

At the balance sheet date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, for each of the following years.

Parent Company Financial Statements – Notes
continued

10 Commitments continued
Operating lease commitments:

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
– expiring within 1 year	**285**	267
– expiring within 2 to 5 years	**1,042**	1,309
– over 5 years	**–**	378
Total	**1,327**	1,954

11 Financial instruments and risk management
Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, other than those with carrying amounts that are a reasonable approximation of their fair values, are as follows:

	Carrying amount		Fair value	
	31 March 2014 £000	31 March 2013 £000	**31 March 2014 £000**	31 March 2013 £000
Financial assets				
Amortised cost				
Loans to Group Companies	**142,702**	127,440	**142,702**	127,440
Financial liabilities				
Amortised cost				
Borrowings (floating rate)[1]	**–**	89,710	**–**	89,710
Borrowings (fixed rate)[1]	**108,701**	100,408	**112,326**	103,150
Fair value through profit and loss				
Interest rate swaps[2]	**–**	779	**–**	779
Warrants[2]	**6,804**	8,208	**6,804**	8,208

1 The fair value of borrowings and other financial liabilities has been calculated by discounting the expected future cash flows at prevailing market interest rates for instruments with substantially the same terms and characteristics.
2 The fair value of warrants is estimated using a Black-Scholes valuation model.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For financial instruments there are no non-recurring fair value measurements nor have they been any transfers between levels of the fair value hierarchy.

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at the reporting dates as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2014				
Warrants	–	6,804	–	6,804
Total	**–**	**6,804**	**–**	**6,804**
At 31 March 2013				
Interest rate swaps	–	779	–	779
Warrants	–	8,208	–	8,208
Total	**–**	**8,987**	**–**	**8,987**

11 Financial instruments and risk management continued

Fair value hierarchy continued

The fair values of the interest rate swaps at 31 March 2013 were valued using valuation techniques with market observable inputs. The models incorporate various inputs including the credit quality of the counterparty and forward rate curves of the underlying commodity.

The warrants are valued using Black-Scholes method, which incorporates the inputs as detailed in note 9.

Fair value of financial assets and financial liabilities

The carrying values of the financial assets and financial liabilities (excluding current assets, current liabilities and derivative financial instruments), are considered to be materially equivalent to their fair values.

Financial risk management

The Company's principal financial liabilities, other than derivatives, comprise borrowings, warrants and trade and other payables. The main purpose of these financial liabilities is to finance the Company's subsidiary operations and to fund acquisitions. The Company has trade and other receivables, and cash and cash equivalents that are derived directly from its operations and restricted cash. The Company also enters into derivative transactions.

The Company manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the Company's financial targets while protecting future financial security. The Company is exposed to the following risks:

- Market risk including interest rate, and foreign currency risks
- Credit risk
- Liquidity risk

Management reviews and agrees policies for managing each of these risks which are summarised below. It is the Company's policy that all transactions involving derivatives must be directly related to the underlying business of the Company. The Company does not use derivative financial instruments for speculative exposures.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market factors, such as interest rate and foreign currency.

The sensitivity analyses below have been prepared on the basis that the amount of net debt, and the proportion of financial instruments in foreign currencies are all constant and that derivatives are held to maturity. The sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans with related parties. The Company currently has all of its borrowings at fixed rates of interest.

The following table summarises the impact on profit before tax for changes in interest rates on the fair value of the loans with related parties. The analysis is based on the assumption that LIBOR moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in profit before tax for the year ended and to equity as at	
	31 March 2014 £000	31 March 2013 £000
50 basis point increase in LIBOR	**945**	362
50 basis point decrease in LIBOR	**(945)**	(362)

Parent Company Financial Statements – Notes
continued

11 Financial instruments and risk management continued

Foreign currency risk
The Company has transactional currency exposures. Such exposure arises from purchases in currencies other than the UK pounds sterling, the functional currency of the Company.

The following table summarises the impact on profit before tax for changes in the US dollar/UK pound sterling exchange rate. The impact on equity is the same as the impact on profit before tax.

The analysis is based on the assumption that the pound moves 10%, with all other variables held constant.

	Increase/(decrease) in profit before tax for the year ended and to equity as at	
	31 March 2014 £000	31 March 2013 £000
10% strengthening of the pound against the US dollar	**9,457**	8,719
10% weakening of the pound against the US dollar	**(9,457)**	(8,719)

Credit risk
With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents, restricted cash and amounts due from subsidiary undertakings, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits its counterparty credit risk on cash and cash equivalents and restricted cash by dealing only with financial institutions with credit ratings of at least A or equivalent other than if the UK government is a majority shareholder. £16.6 million (2013: £3.6 million) of cash and cash equivalents were held with a single institution.

Liquidity risk
The Company manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments.

The table below summarises the maturity profile of the Company's financial liabilities at 31 March based on contractual undiscounted payments:

	On demand £000	<1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
At 31 March 2014						
Borrowings (fixed rate)	–	**16,181**	**15,708**	**15,178**	**108,271**	**155,338**
Trade and other payables	–	**115**	–	–	–	**115**
Warrants	–	**6,804**	–	–	–	**6,804**
	–	**23,100**	**15,708**	**15,178**	**108,271**	**162,257**
At 31 March 2013						
Borrowings (floating rate)	–	89,710	–	–	–	89,710
Borrowings (fixed rate)	–	11,071	10,769	10,491	100,669	133,000
Trade and other payables	–	71	–	–	–	71
Warrants	–	8,208	–	–	–	8,208
Derivative financial instruments interest swaps	–	779	–	–	–	779
	–	109,839	10,769	10,491	100,669	231,768

Management considers that the Company has adequate current assets and forecast cash from operations to manage liquidity risks arising from current liabilities and non-current liabilities.

11 Financial instruments and risk management continued

Capital management

The Company manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Company's funding needs are met through a combination of debt and equity (2013: funding requirements through a combination of equity and debt) and adjustments are made in light of changes in economic conditions. The Company's strategy is to maintain ratios in line with covenants associated with the senior debt facility.

The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Company includes within net debt, interest bearing bank loans less cash and cash equivalents and restricted cash. Capital includes share capital, share premium, other reserves and accumulated losses.

12 Share capital

	Ordinary Shares		Deferred Shares Restated	
	No.	£000 Nominal value	No.	£000 Nominal value
Issued and fully paid				
1 April 2012, Ordinary Shares of 50p each	162,204,909	81,102	–	–
16 August 2012 share conversion of each issued Ordinary Shares of 50p each into:	(162,204,909)	(81,102)	–	–
New Ordinary Shares of 10p each*	162,204,909	16,220	–	–
New Deferred Shares of 40p each*	–	–	162,204,909	64,882
Cancellation of Deferred Shares of 40p each*	–	–	(162,204,909)	(64,882)
15 January 2013 shares issued at a price of 95p each	24,330,730	2,433	–	–
31 March 2013, Ordinary Shares of 10p each	186,535,639	18,653	–	–
31 March 2013, Deferred Shares of 40p each (Restated)	–	–	–	–
22 April 2013 shares issued at a price of 77p each	475,002	48	–	–
22 June 2013 shares issued at a price of 55.8p each	3,000,000	300	–	–
23 July 2013 shares issued at a price of 83p each	70,934	7	–	–
26 July 2013 shares issued at a price of 10p each	2,975,656	297	–	–
15 August 2013 shares issued at a price of 55.8p each	2,000,000	200	–	–
22 October 2013 shares issued at a price of 101p each	87,696	9	–	–
5 December 2013 shares issued at a price of 115p each	7,488,301	749	–	–
22 Jan 2014 shares issued at a price of 55.8p each	2,000,001	200	–	–
22 Jan 2014 shares issued at a price of 101p each	91,533	9	–	–
31 March 2014, Ordinary Shares of 10p each	**204,724,762**	**20,472**	**–**	**–**
31 March 2014, Deferred Shares of 40p each	**–**	**–**	**–**	**–**

The costs of all share issues have all been charged to the share premium account and are as disclosed in the parent company statement of changes in equity.

* On 16 August 2012 the Company converted each Ordinary Share of 50p each into a New Ordinary Share of 10p each and a New Deferred Share of 40p each pursuant to an obligation to Macquarie Bank Limited under the terms of the warrants issued during the period ended 31 March 2012. The New Ordinary Shares carry the same rights as attached to Ordinary Shares. Deferred shares have no voting rights and shall not be entitled to any dividends or any other right or participation in the profits of the Company. The Company had the right to purchase all the issued New Deferred Shares from all Shareholders for an aggregate consideration of one penny and exercised this right immediately upon conversion. On 16 August 2012, the Company repurchased the New Deferred Shares from all Shareholders for an aggregate consideration of one penny. These shares were subsequently cancelled by the Company.

Parent Company Financial Statements – Notes
continued

13 Share premium and capital redemption reserve account

Share premium account

The share premium account of the Company arises from the capital that the Company raises upon issuing shares for consideration in excess of the nominal value of the shares net of the costs of issuing the new shares. During the year the Company issued 18,189,123 Ordinary Shares at a price of 10p each (2013: 24,330,730 shares issued) The cost of the issue was £nil million (2013: £0.9 million). Together these events resulted in a net movement in the Share premium reserve of £11.6 million (2013: £19.7 million).

Capital redemption reserve

During the period ended 31 March 2014 the Company repurchased 100% of its outstanding deferred shares which had been issued with a nominal value of 40p each. These deferred shares were subsequently cancelled by the Company. This resulted in a reduction in share capital and a corresponding recognition of a Capital Redemption Reserve of £64.9 million.

14 Merger reserve

Merger reserve – The merger reserve arose as a result of a reverse acquisition on 31 December 2007 whereby IGL became a wholly owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the Ordinary Share Capital of the Company. The reserve represents the difference in the fair value and the nominal value of the shares issued. The reserve is not distributable.

15 Other reserves

Other reserves can be analysed as follows:

	Share Plan/ Warrant/ LTIP Reserves £000	Treasury Shares £000	Capital Contributions £000	Total £000
Balance 1 April 2012	112	(1,299)	47	(1,140)
Employee share plans – cost under IFRS 2	343	–	–	343
Balance 31 March 2013	455	(1,299)	47	(797)
Employee share plans – cost under IFRS 2	577	–	–	577
Employee share plans – shares issued under the SIP	–	(447)	–	(447)
Balance 31 March 2014	**1,032**	**(1,746)**	**47**	**(667)**

Employee share plans – Equity settled

Details of the Share Options under employee share plans outstanding during the year are as follows:

	2011 LTIP		2010 LTIP		Share Option Plan	
	Number of Options	Weighted average exercise price (pence)	Number of Options	Weighted average exercise price (pence)	Number of Options	Weighted average exercise price (pence)
Outstanding at 1 April 2012	2,107,485	–	50,000	–	411,274	70
Granted during the year	1,071,542	–	–	–	–	–
Forfeited during the year	–	–	(50,000)	–	(237,773)	(70)
Lapsed during the year	–	–	–	–	(173,501)	(70)
Exercised during the year	–	–	–	–	–	–
Outstanding at 31 March 2013	3,179,027	–	–	–	–	–
Exercisable at 31 March 2013	–	–	–	–	–	–
Granted during the year	466,203	–	–	–	–	–
Forfeited during the year	(48,730)	–	–	–	–	–
Lapsed during the year	–	–	–	–	–	–
Exercised during the year	–	–	–	–	–	–
Outstanding at 31 March 2014	**3,596,500**	–	–	–	–	–
Exercisable at 31 March 2014	–	–	–	–	–	–

15 Other reserves continued

Long Term Incentive Plan 2011 ("2011 LTIP")

In November 2011 the Company adopted a Long Term Incentive Plan scheme for certain key employees of the Group. Under the LTIP, participants can each be granted nil cost options over up to 300% of remuneration for the Initial Award and up to 150% of remuneration for the Annual Award (subject to an overall plan limit of 10% of the issued share capital of the Company for all participants). The LTIP has a three year performance period and awards vest subject to share price performance exceeding the Company's weighted average cost of capital of 10%. On a change of control prior to the third anniversary of the grant date, a proportion of the options that vest will take into account items such as the time the Option has been held by the participant and the performance achieved in the period from the grant date. Other than on a change of control, 100% of vested awards can be exercised and sold on vesting.

There were no LTIPs exercised during the year. The LTIPs outstanding at 31 March 2014 had both a weighted average remaining contractual life and maximum term remaining of 7.8 years.

The total charge for the year was £297 thousand (2013: £218 thousand). Of this amount, £97 thousand (2013: £161 thousand) was capitalised and £200 thousand (2013: £57 thousand) was charged to the Income Statement in relation to the fair value of the awards granted under the Share Option scheme measured at grant date using a Monte Carlo Simulation Model.

The inputs into the Monte Carlo model were as follows:

	2011 LTIP	
	Granted Nov 11	Granted Sep 13
Weighted average share price	50.5p	102.0p
Weighted average exercise price	Nil	Nil
Expected volatility	35%	43%
Expected life	6.5 years	6.5 years
Risk-free rate	0.70%	0.85%
Expected dividends	0%	0%
Weighted average fair value of awards granted	23.12p	50.90p

Long Term Incentive Plan 2010 ("LTIP")

In October 2010 the Company adopted a Long Term Incentive Plan scheme for certain key employees of the Group. Under the LTIP, participants can each be granted nil cost options over up to 1.5% of the issued share capital of the Company (subject to an overall plan limit of 7.5% of the issued share capital of the Company for all participants). The LTIP has a three year performance period and awards vest subject to the achievement of stretching share price targets. On a change of control prior to the third anniversary of the grant date, a revised share price target reflecting the reduction in the performance period shall instead be used to determine the extent to which LTIP options vest. Other than on a change of control, 50% of vested awards can be exercised and sold on vesting, with the remaining 50% becoming exercisable on the first anniversary of vesting. There were no LTIPs in this scheme exercised during the year. There were no LTIPs outstanding at 31 March 2014.

The total charge for the year was £nil thousand (2013: £2 thousand). Of this amount, £nil thousand (2013: £2 thousand) was charged to the subsidiary and £nil thousand (2013: £nil) was charged to the Income Statement in relation to the fair value of the awards granted under the LTIP scheme measured at grant date using a Monte Carlo Simulation Model.

The key assumptions made in arriving at the Monte Carlo valuations were: share price on date of valuation, adjusted for subsequent consolidations where appropriate and the length of time for which the LTIPs were expected to remain exercisable. A risk free interest rate of 1.09% and an implied volatility of 35% were used in valuing the LTIPs at the time of granting. It was also assumed that no dividends would be paid during the life of the LTIPs.

Parent Company Financial Statements – Notes
continued

15 Other reserves continued

Share Option Plan
In October 2010 the Company adopted a Share Option Plan for certain key employees of the Group. Both executives and employees may participate in the Share Option Plan. Typically each individual participant could be granted options under the Share Option Plan with a market value at grant of up to 100% of his base salary, although this limit can be exceeded in exceptional circumstances. Share options vest in three equal tranches over a three year period from the date of grant and vested options are exercisable subject to the attainment of a Company share price target.

2010 grants under the Share Option Plan are subject to an exercise price of 70p per share.

There were no Options exercised during the year. There were no Options outstanding at 31 March 2014.

The total charge for the year was £nil thousand (2013: £nil). Awards granted under the Share Option Scheme are measured at grant date using a Monte Carlo Simulation Model.

The key assumptions made in arriving at the Monte Carlo valuations were: share price on date of valuation, adjusted for subsequent consolidations where appropriate and the length of time for which the Options were expected to remain exercisable. A risk free interest rate of 1.09% and an implied volatility of 35% were used in valuing the Options at the time of granting. It was also assumed that no dividends would be paid during the life of the Options.

Other share based payments
During the year, certain employees agreed to settle bonuses earned in the year ended 31 March 2014 in Share Options. The number of Share Options issued was 190,710 (31 March 2013: 216,850) with a fair value of £177 thousand (31 March 2013: £149 thousand), measured indirectly with reference to the value of the option. This amount was charged to the subsidiary. Due to the fact that the options vested immediately with £nil strike price and no conditions, the fair value of the option equals the market price of the share at the grant date. There were no options exercised during the year. The options outstanding at 31 March 2014 had both a weighted average remaining contractual life and a maximum term of 8.6 years (31 March 2013: 8.75 years).

In 2013, the Company adopted an Inland Revenue approved Share Investment Plan ("SIP") for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to acquire up to £125 (or 10% of salary, if less) worth of the Company's Ordinary Shares per month or £1,500 per annum. Under the SIP employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one or two-for-one basis.

Treasury shares
The Treasury shares reserve of the Company has arisen in connection with:

The shares issued to the IGas Employee Benefit Trust, of which the Company is the sponsoring entity. The value of such shares is recorded in share capital and share premium account in the ordinary way and is also shown as a deduction from equity in this separate other reserve account; and so there is no net effect on shareholders' funds. During the year ended to 31 March 2014 there were no shares were issued to the Employee Benefit Trust (2013: nil).

Capital contribution
The capital contribution of £47 thousand was received in cash following the acquisition of IGas Exploration UK Limited.

16 Related party transactions

(a) With Group Companies

A summary of the transactions in the year is as follows:

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Amounts due from/(to) subsidiaries:		
Balance at beginning of year	**113,714**	94,525
Services performed by subsidiary	**5,209**	2,286
Net cash advances	**18,781**	11,666
Group loan interest	**8,667**	5,237
Group loan repayment	**(22,322)**	–
Acquisitions	**7,949**	–
Balance at end of year	**131,998**	113,714

Payment terms are as mutually agreed between the Group's Companies.

(b) With Directors

Key management as defined by IAS 24 – Related Party Disclosures are those persons having authority and responsibility for planning, controlling and directing the activities of the Company. In the opinion of the Board, the Company's key management are the Directors of the Company. Information regarding their compensation is given in notes 5 and 27 to the consolidated accounts.

F Gugen currently holds US$2.80 million bonds issued by the Group. These bonds earn interest at 10% per annum. In the year ended 31 March 2014, interest paid was US$0.4 million (2013: US$nil). Accrued interest at 31 March 2014 amounted to US$7.8 thousand (31 March 2013: US$13.9 thousand).

C McDowell currently holds US$0.29 million bonds issued in the Group. These bonds earn interest at 10% per annum. In the year ended 31 March 2014, the interest paid was US$0.03 million (2013:US$nil). Accrued interest at 31 March 2014 amounted to US$0.8 thousand (31 March 2013: US$nil).

17 Subsequent events

Acquisitions

On 9 May 2014, the Company and Dart Energy limited (''Dart'') announced that they have reached an agreement on the terms of a recommended acquisition by the Company of Dart, which values the total share capital of Dart at approximately A$211.5 million on a fully diluted basis (being equivalent to £117.1 million). The acquisition will be via an Australian Scheme of Arrangement on a share exchange basis.

The combination will create a market leading onshore UK oil and gas company with the largest area in the UK under licence of over 1 million net acres including major UK shale basins.

It is anticipated that the transaction will be completed in September 2014.

Issued Shares

On 8 April 2014, Macquarie exercised warrants over 1,500,000 ordinary 10p shares. The warrants were exercised at 55.8p per share.

On 22 April 2014, the Company issued 91,239 Ordinary 10p shares in relation to the Groups SIP scheme.

18 Restatement

As previously disclosed, during the year ended 31 March 2013, the Company repurchased 100% of its outstanding deferred shares. The deferred shares were not listed and therefore did not qualify as shares held in treasury. These deferred shares were subsequently cancelled by the Company. As a result the prior year comparative information has been restated to reflect the cancellation of these deferred shares. This has resulted in a reduction in share capital of £64.9 million and a corresponding recognition of a Capital Redemption Reserve of £64.9 million. There is no net effect on Shareholders' funds.

Oil and Gas Reserves

As at 31 March 2014

The Group's estimates of proved plus probable reserves are taken from the Group's Competent Person's evaluation reports for the Group's oil fields as of 31 December 2013 together with adjustments for production data thereafter. The report was provided by Senergy. Proved reserves are estimated reserves that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years under existing economic and operating conditions, while probable reserves are estimated reserves determined to be more likely than not to be recoverable in future years under existing economic and operating conditions.

All of the Group's oil and gas assets are located in the United Kingdom.

Group proved plus probable reserves

	Oil mmbbls	Gas Bcf	Total mmboe
At 1 April 2013	14.97	7.95	16.36
Acquired during the year	0.30	–	0.30
Revision of previous estimates	(2.06)	(2.02)	(2.42)
Production	(0.98)	(0.02)	(0.99)
Total change during the year	(2.74)	(2.04)	(3.11)
At 31 March 2014	**12.23**	**5.91**	**13.25**

The Group's estimates of proved plus probable reserves are made in accordance with the 2007 Petroleum Resources Management System prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers ("SPE") and reviewed and jointly sponsored by the World Petroleum Council ("WPC"), the American Association of Petroleum Geologists ("AAPG") and the Society of Petroleum Evaluation Engineers ("SPEE").

Glossary

£	The lawful currency of the United Kingdom
1P	Low estimate of commercially recoverable reserves
2P	Best estimate of commercially recoverable reserves
3P	High estimate of commercially recoverable reserves
1C	Low estimate or low case of Contingent Recoverable Resource quantity
2C	Best estimate or mid case of Contingent Recoverable Resource quantity
3C	High estimate or high case of Contingent Recoverable Resource quantity
AIM	AIM market of the London Stock Exchange
Bcf	Billions of standard cubic feet
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
CBM	Coal bed methane
Recoverable reserves	As defined in the Oil and Gas Reserves table above
Contingent Recoverable Resources	Contingent Recoverable Resource estimates are prepared in accordance with the Petroleum Resources Management System (PRMS), an industry recognised standard. A Contingent Recoverable Resource is defined as discovered potentially recoverable quantities of hydrocarbons where there is no current certainty that it will be commercially viable to produce any portion of the contingent resources evaluated. Contingent Recoverable Resources are further divided into three status groups: marginal, sub-marginal, and undetermined. IGas' Contingent Recoverable Resources all fall into the undetermined group. Undetermined is the status group where it is considered premature to clearly define the ultimate chance of commerciality.
	All amounts shown in this annual report have been compiled by statistical aggregation
DECC	Department of Energy and Climate Change
GIIP	Gas initially in place
IGL	The Company's subsidiary holding all its licences
MMboe	Millions of barrels of oil equivalent
MMscfd	Millions of standard cubic feet per day
PEDL	United Kingdom petroleum exploration and development licence
PL	Production licence
Scf	Standard cubic feet
Tcf	Trillions of standard cubic feet of gas
UK	United Kingdom

General Information

Directors
F Gugen – Non-Executive Chairman
A Austin – Chief Executive Officer
J Blaymires – Chief Operating Officer
S Bowler – Chief Financial Officer
J Bryant – Non-Executive
R Pinchbeck – Non-Executive
C McDowell – Non-Executive

Company Secretary
MoFo Secretaries Limited
Citypoint
One Ropemaker Street
London EC2Y 9AW

Nominated Adviser and Broker
NOMAD and Joint Broker
Jefferies Hoare Govett
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Joint Broker
Canaccord Genuity
88 Wood Street
London EC2V 7QR

Registrar
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS13 8AE

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

Banker
Barclays Bank Plc
1 Churchill Place
London E14 5HP

Registered Office
7 Down Street
London W1J 7AJ

Copies of Reports and Accounts
Further copies of this Annual report and accounts can be obtained from the Registered Office of IGas Energy plc (IGas Energy).

Design & Production
www.carrkamasa.co.uk

ckd

IGas Energy plc
Registered Office
7 Down Street
London
W1J 7AJ

+44 (0)20 7993 9899
www.igasplc.com