PROSPECTUS DATED 30 SEPTEMBER 2013

IGAS ENERGY PLC

SENIOR SECURED GUARANTEED CALLABLE BONDS

- Fixed interest rate of 10.00 per cent. per annum
- Maturity date of 22 March 2018
- 165,000,000 Bonds of $1 each
- International Securities Number No 0010673791
- Currently listed on the Nordic Alternative Bond Market with symbol “IGAS01 PRO”

MANAGER

ABG Sundal Collier Norge ASA

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS. YOU SHOULD HAVE REGARD TO THE FACTORS DESCRIBED IN SECTION 2 (RISK FACTORS) OF THIS PROSPECTUS. YOU SHOULD ALSO READ CAREFULLY SECTION 11 (IMPORTANT LEGAL INFORMATION).

IMPORTANT NOTICE:

THE OFFER PERIOD FOR SUBSCRIPTION FOR THE BONDS HAS NOW CLOSED AND NO FURTHER BONDS WILL BE ISSUED PURSUANT TO THIS PROSPECTUS.

IMPORTANT NOTICES

About this document

This document (the "**Prospectus**") has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "**FCA**") and relates to the listing on Oslo Børs by IGas of its US Dollar denominated 10.00 per cent. bonds due 22 March 2018 (the "**Bonds**") at 100 per cent. of their nominal amount. The Bonds are transferable secured debt instruments and were issued by IGas on 22 March 2013. The Bonds are constituted by a Bond Agreement (the "**Bond Agreement**") dated 21 March 2013 between (a) the Issuer, (b) the other members of the Group (apart from Star Energy Oil UK Limited), namely Island Gas Limited, Island Gas Operations Limited, IGas Exploration UK Limited, Star Energy Group Limited, Star Energy Limited, Star Energy Weald Basin Limited, Star Energy Oil & Gas Limited, Star Energy (East Midlands) Limited and Island Gas (Singleton) Limited (each a "**Guarantor**" and together the "**Guarantors**", which expression shall include any other company which subsequently becomes a subsidiary of the Issuer and accedes to the Bond Agreement) and (c) Norsk Tillitsmann ASA as bond trustee (the "**Bond Trustee**", which expression includes all persons appointed from time to time as trustee or trustees under the Bond Agreement) as trustee for the holders of the Bonds (the "**Bondholders**")). The nominal amount of each Bond (being the amount which is used to calculate payments made on each Bond) is US$1.00. The aggregate nominal amount of the Bonds issued was US$165,000,000. Pursuant to the Bond Agreement the Guarantors have unconditionally, jointly and severally, guaranteed the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds (the "**Guarantee**").

This Prospectus contains important information about IGas, the Group and the material terms of the Bonds. This Prospectus also describes the risks relevant to the Group and its business and the risks relating to an investment in the Bonds generally.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the importance of such information. Each Guarantor accepts responsibility for the information contained in this Prospectus relating to itself or the Guarantee. To the best of the knowledge of each Guarantor (having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the importance of such information. Where information has been sourced from a third party, this information has been accurately reproduced and as far as each of the Issuer and the Guarantors is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

Use of defined terms in this Prospectus

Certain terms or phrases in this Prospectus are defined in double quotation marks and subsequent references to that term are designated with initial capital letters. The locations in this Prospectus where these terms are first defined are set out in Appendix A of this Prospectus.

In this Prospectus, references to the "**Issuer**" and "**IGas**" are to IGas Energy plc, which is the issuer of the Bonds. All references to the "**Group**" are to the Issuer, its subsidiaries and its subsidiary undertakings taken as a whole which includes the Guarantors. See Section 7 (Description of IGas and the Group – Overview) for details of the Issuer's principal subsidiaries.

The Bonds are not protected by the Financial Services Compensation Scheme (the "**FSCS**"). As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, you may lose all or part of your investment in the Bonds.

THE BONDS HAVE NOW BEEN FULLY ISSUED AND THE OFFER PERIOD HAS NOW CLOSED. NO FURTHER APPLICATIONS TO PURCHASE BONDS MAY BE MADE.

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SUMMARY

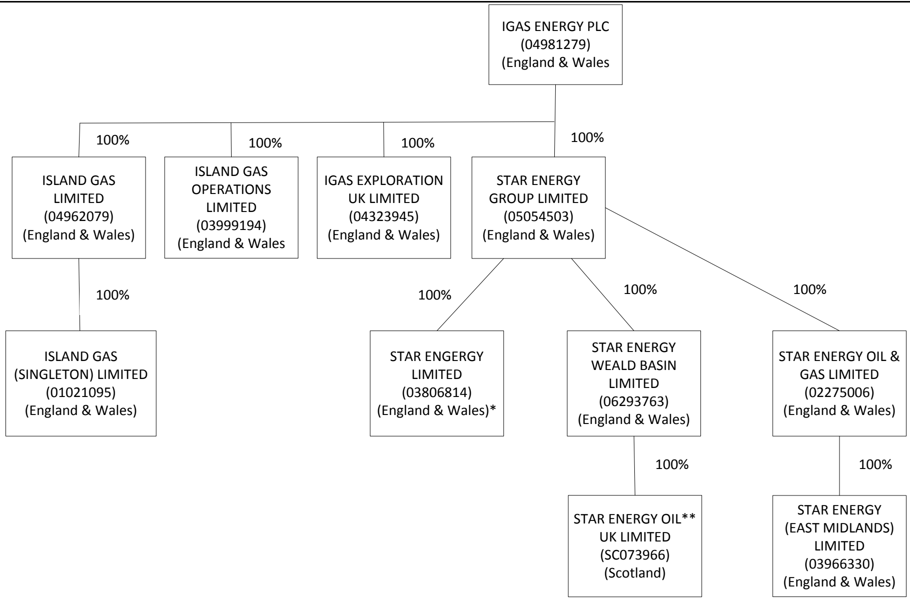
The following is a summary of information relating to the Group and the Bonds.

SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

SECTION A – INTRODUCTIONS AND WARNINGS		
A.1	Introduction.	This summary must be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EU Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent and Offer Period.	Not applicable. The offer period in respect of the Bonds has now closed and no consent to use the Prospectus has been given by the Issuer or any of the Guarantors with respect to any resale or further placement of the Bonds.

SECTION B – THE ISSUER AND THE GUARANTORS		
B.1	Legal and commercial name.	The Issuer is IGas Energy plc.
B.2	The domicile, legal form, legislation and country of incorporation.	The Issuer is a public limited company incorporated in England and Wales under the Companies Act 2006 (as amended) with registered number 04981279. The Issuer is domiciled and has its registered office in the United Kingdom.
B.4b	Known trends affecting the Issuer and the industries in which it operates.	Fracking (also known more technically as hydraulic fracturing) is the process of opening and/or extending existing narrow fractures or creating new fractures in gas or oil-bearing rock, which allows gas or oil to flow into wellbores to be captured, and is used in the extraction of shale gas. The exploration of shale gas using this process was restricted in the UK for almost a year until December 2012, to allow the Royal Academy and Royal Society of Engineering to report on the environmental impact of this process. Their report (entitled 'Shale gas extraction in the UK: a review of hydraulic fracturing') was issued in June 2012 and the restrictions on fracking in the UK were lifted six months later. Since the lifting of those restrictions, the UK government has stated that it is committed to enabling the exploration of shale gas in a safe and environmentally sustainable way to establish its potential. At the UK government's 2013 budget, it committed itself to introducing a new tax allowance for shale gas (such statement was made in the Appendix marked Government Response to the report 'The Impact of Shale Gas on Energy Markets': Government Response to the Committee's Seventh Report of Session 2012-13 – Energy & Climate Change (published 18 July 2013) (the "**Shale Report**"). Consequently, as the Group currently has fields where resources of shale gas have been identified, trends in fracking and the lifting of the restrictions could affect the Group's (and therefore the Issuer's and the Guarantors') ability to maximise the recovery of its shale gas reserves in the future.
B.5	The Group.	The Issuer is a holding company and directly or indirectly owns all of the subsidiaries in the Group. IGas holds 100% of the issued shares of Island Gas Limited, Island Gas Operations Limited, IGas Exploration UK Limited and Star Energy Group Limited. Island Gas Limited holds 100% of the issued shares of Island Gas (Singleton) Limited. Star Energy Group Limited holds 100% of the issued shares of Star Energy Limited, Star Energy Weald Basin Limited and Star Energy Oil & Gas Limited. Star Energy Weald Basin Limited holds 100% of the issued shares of Star Energy Oil UK Limited. Star Energy Oil & Gas Limited holds 100% of the issued shares of Star Energy (East Midlands) Limited. The diagram below illustrates the corporate structure of the Issuer and Guarantors (Star Energy Oil UK Limited is included on this Group structure chart, but is not a Guarantor) as at the date of this Prospectus.



* Star Energy Limited currently holds a 33% share interest in Larchford Limited (SC295055). Larchford Limited does not form part of the Group as it is not directed by the Group directors and Star Energy Limited is merely a shareholder. Larchford Limited is currently being wound up (pursuant to a Court Order dated 11 April 2012).

** Star Energy Oil UK Limited is not a guarantor.

B.8 | **Selected key pro forma financial information, identified as such.**

A pro forma consolidated balance sheet has been prepared, for illustrative purposes only, key information from which is set out below, to show the adjustments relating to (a) the issue of the Bonds (such securities being described in this Prospectus), and (b) the repayment of the loan and closing out of the hedging arrangements with Macquarie Bank Limited ("**Macquarie**") (collectively, the "**Refinancing**"). Completion of the Refinancing occurred in April 2013 and resulted in significant temporary effects on the consolidated balance sheet of the Issuer as at 31 March 2013, which were unwound immediately.

Therefore the overall effect of the completion of the Refinancing is that there was no significant change in the financial or trading position of the Issuer since 31 March 2013. The pro forma financial information has been prepared for illustrative purposes only and because of its nature, addresses a hypothetical situation and, therefore, does not represent the Issuer's actual financial position or results.

Pro forma Consolidated Balance Sheet
As at 31 March 2013

	Audited 31 March 2013 £000	Adjustments A £000	Adjustments B £000	Pro forma 31 March 2013 £000
Non-current assets	231,385	-	-	231,385
Current assets	122,321	5,795	(102,420)	25,696
Current liabilities	(130,447)	(435)	102,420	(28,462)
Net current liabilities	(8,126)	5,360	-	(2,766)
Total assets less current liabilities	223,259	5,360	-	228,619
Non-current liabilities	(164,141)	(5,360)	-	(169,501)
Net assets	59,118	-	-	59,118

Adjustments:
A. Issue of the Bonds: includes funds received for remaining US$8.8 million of the Bonds issued net of associated fees which were sold in April 2013.
B. Repayment of Macquarie loan and closing out hedges: includes early cancellation fees, upon completion of conditions precedent to the issue of the Bonds, but excludes interest paid to Macquarie to April 2013.

B.9 | **Where a profit forecast or**

Not applicable; no profit forecast or profit estimate is made.

<table>
<tr><td></td><td>estimate is made, state the figure.</td><td></td></tr>
<tr><td>B.10</td><td>A description of the nature of any qualifications in the audit report on the historical financial information.</td><td>Not applicable; neither of the audit reports on the Issuer's audited consolidated financial statements for the periods ended 31 March 2012 and 31 March 2013 included any qualifications.</td></tr>
<tr><td>B.12</td><td>Selected historical key financial information: A statement that there has been no material adverse change in the prospectus of the issuer since the date of its last published audited financial statements or a description of any material adverse change; and a description of significant changes in the financial or trading position subsequent to the period covered by the historical financial information.</td><td>
The financial summary set out below has been extracted without material adjustment from the audited consolidated financial statements of the Issuer and the audited non-consolidated financial statements of the Issuer as at and for the financial year ended 31 March 2013 and the fifteen month financial period ended 31 March 2012.
There has been no significant change in the financial or trading position of the Issuer since 31 March 2013 and there has been no material adverse change in the prospects of the Issuer since 31 March 2013.
<table>
<tr><td></td><td>(Audited) Year ended 31 March 2013 £000</td><td>(Audited) 15 months ended 31 March 2012 £000</td></tr>
<tr><td>Consolidated Income Statement for the year ended 31 March 2013</td><td></td><td></td></tr>
<tr><td>Revenue</td><td>68,304</td><td>22,120</td></tr>
<tr><td>Operating profit/(loss)</td><td>21,922</td><td>(16,182)</td></tr>
<tr><td>Profit/(Loss) on ordinary activities before tax</td><td>(5,999)</td><td>(17,897)</td></tr>
<tr><td>Profit/(Loss) from continuing operations</td><td>(18,355)</td><td>(12,124)</td></tr>
<tr><td>Consolidated Balance Sheet as at 31 March 2013</td><td></td><td></td></tr>
<tr><td>Non-current assets</td><td>231,385</td><td>181,297</td></tr>
<tr><td>Current assets</td><td>122,321</td><td>20,744</td></tr>
<tr><td>Non-current liabilities</td><td>(164,141)</td><td>(105,391)</td></tr>
<tr><td>Net assets</td><td>59,118</td><td>54,958</td></tr>
<tr><td>Consolidated Cash Flow for the year ended 31 March 2013</td><td></td><td></td></tr>
<tr><td>Net cash from/(used in) operating activities</td><td>28,878</td><td>(2,592)</td></tr>
<tr><td>Net cash used in investing activities</td><td>(17,428)</td><td>(97,827)</td></tr>
<tr><td>Net cash (used in)/from financing activities</td><td>(10,132)</td><td>96,155</td></tr>
<tr><td>Cash and cash equivalents at the end of the year/period</td><td>9,831</td><td>7,915</td></tr>
<tr><td></td><td>(Audited) Year ended 31 March 2013 £000</td><td>(Audited) 15 months ended 31 March 2012 £000</td></tr>
<tr><td>Non-consolidated Income Statement for the year ended 31 March 2013</td><td></td><td></td></tr>
<tr><td>Loss for the year</td><td>(26,117)</td><td>(8,506)</td></tr>
<tr><td>Total comprehensive loss for the year</td><td>(26,117)</td><td>(8,506)</td></tr>
<tr><td>Non-consolidated Balance Sheet as at 31 March 2013</td><td></td><td></td></tr>
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<tr><td></td><td></td><td>
<table>
<tr><td>Non-current assets</td><td>217,969</td><td>190,226</td></tr>
<tr><td>Current assets</td><td>162,206</td><td>26,247</td></tr>
<tr><td>Non-current liabilities</td><td>(94,942)</td><td>(58,596)</td></tr>
<tr><td>Net assets</td><td>105,376</td><td>108,978</td></tr>
<tr><td colspan="3">Non-consolidated Cash Flow Statement for the year ended 31 March 2013</td></tr>
<tr><td>Net cash from/(used in) operating activities</td><td>(4,575)</td><td>(4,786)</td></tr>
<tr><td>Net cash used in investing activities</td><td>(13,941)</td><td>(127,401)</td></tr>
<tr><td>Net cash (used in)/from financing activities</td><td>18,240</td><td>124,058</td></tr>
<tr><td>Cash and cash equivalents at the end of the year/period</td><td>3,596</td><td>3,452</td></tr>
</table>
</td></tr>
<tr><td>B.13</td><td>Recent events particular to solvency.</td><td>Not applicable; there have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.</td></tr>
<tr><td>B.14</td><td>Dependence of the Issuer on other entities within the Group.</td><td>The Issuer is a holding company and owns directly or indirectly 100 per cent. of the share capital of the other members of the Group. The Issuer's principal source of funds is distributions from the other members of the Group. The Group's exploration, drilling and production of oil and gas operations are carried out by Island Gas Limited, IGas Exploration UK Limited and Island Gas (Singleton) Limited. Island Gas Operations Limited purchases gas from Island Gas Limited and uses its own generator to turn this gas into electricity for sale to third parties. Star Energy Group Limited, Star Energy Oil & Gas Limited and Star Energy Limited are intermediate holding companies of the Group and provide management services to its subsidiaries. Star Energy Weald Basin Limited acts as an agent and sells oil on behalf of third parties and other Group companies. Star Energy (East Midlands) Limited is dormant and does not provide any intragroup services. The Issuer provides the Group with its overall head office function.</td></tr>
<tr><td>B.15</td><td>The Issuer's principal activities.</td><td>The Issuer is the holding company of an independent energy group. The Issuer's principal activities are to act as the holding company of the Group and to provide intragroup support and central operations (including finance, accounting and human resources functions) to other members of the Group.</td></tr>
<tr><td>B.16</td><td>Controlling persons.</td><td>As at the date of this Prospectus, the Issuer had been notified of the following shareholders who have direct or indirect interests in the voting rights of the ordinary share capital of the Issuer equal to or exceeding 3 per cent. of the Issuer's ordinary share capital:
<table>
<tr><th></th><th>Number of shares</th><th>Percentage</th></tr>
<tr><td>Nexen</td><td>39,714,290</td><td>20.36%</td></tr>
<tr><td>Francis Gugen</td><td>27,615,764</td><td>14.16%</td></tr>
<tr><td>Brent Cheshire</td><td>11,429,253</td><td>5.86%</td></tr>
<tr><td>Andrew Austin</td><td>10,665,962</td><td>5.47%</td></tr>
<tr><td>Henderson Global Investors</td><td>9,002,036</td><td>4.62%</td></tr>
<tr><td>Peter Levine and Levine Capital Management</td><td>8,871,005</td><td>4.55%</td></tr>
<tr><td>Baillie Gifford</td><td>8,088,217</td><td>4.15%</td></tr>
</table>
To the extent known to the Issuer, it is not directly or indirectly owned or controlled by any individual or connected group of individuals.</td></tr>
<tr><td>B.17</td><td>Credit ratings.</td><td>Not applicable; neither the Issuer nor any of its debt securities have been assigned any credit ratings by a credit rating agency.</td></tr>
<tr><td>B.18</td><td>Guarantee and the Security.</td><td><u>The Guarantee:</u> The Guarantors have unconditionally, jointly and severally, guaranteed the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds.
<u>Security</u>: IGas and each of the Guarantors has provided security over all of its</td></tr>
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<tr><td></td><td></td><td>present and future business, assets and undertakings to the Bond Trustee on behalf of the Bondholders, to secure all payments due and payable in respect of the Bonds.</td></tr>
<tr><td>B.19</td><td>Guarantors.</td><td>Information about each of the Guarantors is set out below.</td></tr>
<tr><td>B.19/ B.1</td><td>Legal and commercial name.</td><td>The Guarantors are Island Gas Limited, Island Gas Operations Limited, IGas Exploration UK Limited, Star Energy Group Limited, Star Energy Limited, Star Energy Weald Basin Limited, Star Energy Oil & Gas Limited, Star Energy (East Midlands) Limited and Island Gas (Singleton) Limited.</td></tr>
<tr><td>B.19/ B.2</td><td>The domicile, legal form, legislation and country of incorporation</td><td>The Guarantors are all private limited companies incorporated in England and Wales under the Companies Act 2006 (as amended). Each of the Guarantors is domiciled and has its registered office in the United Kingdom. The Guarantors' registered numbers are:
<table>
<tr><th>Name</th><th>Registered Number</th></tr>
<tr><td>Island Gas Limited</td><td>4962079</td></tr>
<tr><td>Island Gas Operations Limited</td><td>3999194</td></tr>
<tr><td>IGas Exploration UK Limited</td><td>4323945</td></tr>
<tr><td>Star Energy Group Limited</td><td>5054503</td></tr>
<tr><td>Star Energy Limited</td><td>3806814</td></tr>
<tr><td>Star Energy Weald Basin Limited</td><td>6293763</td></tr>
<tr><td>Star Energy Oil & Gas Limited</td><td>2275006</td></tr>
<tr><td>Star Energy (East Midlands) Limited</td><td>3966330</td></tr>
<tr><td>Island Gas (Singleton) Limited</td><td>1021095</td></tr>
</table></td></tr>
<tr><td>B.19/ B.4b</td><td>Known trends affecting the Guarantors (on a Group basis) and the industries in which they operate.</td><td>The lifting of the restrictions on fracking in the UK, and the UK government's commitment to assisting the industry in assessing how fracking can enhance the recovery of shale gas reserves affects the Guarantors as they currently have fields where resources of shale gas have been identified. This means that the Group has the ability to use fracking as a method to maximise the recovery of its shale gas reserves in the future. Maximising the recovery of assets could increase production levels and accordingly operating revenue for the Group, which can then be distributed to the Issuer.</td></tr>
<tr><td>B.19/ B.5</td><td>The Group.</td><td>IGas is a holding company and directly or indirectly owns all of the subsidiaries in the Group. IGas holds 100% of the issued shares of Island Gas Limited, Island Gas Operations Limited, IGas Exploration UK Limited and Star Energy Group Limited. Island Gas Limited holds 100% of the issued shares of Island Gas (Singleton) Limited. Star Energy Group Limited holds 100% of the issued shares of Star Energy Limited, Star Energy Weald Basin Limited and Star Energy Oil & Gas Limited. Star Energy Weald Basin Limited holds 100% of the issued shares of Star Energy Oil UK Limited. Star Energy Oil & Gas Limited holds 100% of the issued shares of Star Energy (East Midlands) Limited.</td></tr>
<tr><td>B.19/ B.9</td><td>Where a profit forecast or estimate is made, state the figure.</td><td>Not applicable; no profit forecast or profit estimate is made.</td></tr>
<tr><td>B.19/ B.10</td><td>A description of the nature of any qualifications in the audit report on the</td><td>Not applicable; none of the audit reports on any of the Guarantors' audited financial statements for the periods ended 31 March 2012 and 31 March 2013 or, in respect of Island Gas (Singleton) Limited, 31 December 2011 and 31 December 2012, included any qualifications.</td></tr>
</table>

	historical financial information.	
B.19/ B.12	Selected key financial information of the Guarantors.	The financial summary set out below has been extracted without material adjustment from (a) the audited financial statements of Island Gas Limited, Island Gas Operations Limited and IGas Exploration UK Limited as at and for the financial year ended 31 March 2013 and for the 15 month financial period ended 31 March 2012; (b) the audited financial statements of Star Energy Group Limited, Star Energy Limited, Star Energy Weald Basin Limited, Star Energy Oil & Gas Limited and Star Energy (East Midlands) Limited for the years ended 31 March 2012 and 31 March 2013; and (c) the audited financial statements of Island Gas (Singleton) Limited for the financial years ended 31 December 2011 and 31 December 2012. There has been no significant change in the financial or trading position of any of the Guarantors since 31 March 2013 or, in the case of Island Gas (Singleton) Limited, 31 December 2012 and there has been no material adverse change in the prospects of any of the Guarantors since 31 March 2013 or, in the case of Island Gas (Singleton) Limited, 31 December 2012.

Island Gas Limited

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Income Statement for the year ended 31 March 2013		
Revenue	**58,482**	19,894
Operating profit/(loss)	**25,590**	(8,911)
Profit/(Loss) on ordinary activities before tax	**11,597**	(11,265)
Profit/(Loss) from continuing operations	**10,881**	(11,265)
Balance Sheet as at 31 March 2013		
Non-current assets	**168,654**	155,249
Current assets	**90,128**	16,171
Non-current liabilities	**(175,195)**	(140,757)
Net assets	**163**	(11,036)
Cash Flow Statement for the year ended 31 March 2013		
Net cash from/(used in) operating activities	**30,129**	(4,377)
Net cash used in investing activities	**(17,421)**	(17,941)
Net cash (used in)/from financing activities	**(6,808)**	13,344
Cash and cash equivalents at the end of the year/period	**6,185**	95

Island Gas Operations Limited

	(Audited) Year ended 31 March 2013 £	(Audited) 15 months ended 31 March 2012 £
Income Statement for the year ended 31 March 2013		
Revenue	**225,888**	150,955
Gross profit	**-**	-
Operating profit/loss	**-**	-
Balance Sheet as at 31 March 2013		

Current assets	**106,832**	161,504
Current liabilities	**(112,757)**	(167,429)
Net liabilities	**(5,925)**	(5,925)

IGas Exploration UK Limited

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Income Statement for the year ended 31 March 2013		
Operating Profit	**3,532**	1,563
Profit on ordinary activities before taxation	**-**	1,983
Profit for the financial year/period	**3,532**	15,853
Balance Sheet as at 31 March 2013		
Current assets	**33,029**	29,478
Net assets	**33,010**	29,478

Star Energy Group Limited

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Income Statement for the year ended 31 March 2013		
Revenue	**322**	1,922
Operating Profit	**330**	882
Loss on ordinary activities before taxation	**(1,120)**	(47,949)
Loss for the year	**(1,120)**	(47,949)
Balance Sheet as at 31 March 2013		
Fixed assets	**60,077**	60,291
Net current assets	**29,137**	26,078
Total assets less current liabilities	**87,214**	86,369
Net liabilities	**(16,864)**	(15,744)

Star Energy Limited

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Income Statement for the year ended 31 March 2013		
Revenue	**2,346**	4,032
Operating loss	**(611)**	(835)
Loss on ordinary activities before taxation	**(213)**	(2,085)
Loss for the year	**(213)**	(1,517)
Balance Sheet as at 31 March 2013		
Fixed assets	**219**	354
Current assets	**26,227**	22,999
Net current assets	**15,264**	15,342

Total assets less current liabilities	**15,483**	15,696
Net assets	**15,483**	15,696

Star Energy Weald Basin Limited

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Income Statement for the year ended 31 March 2013		
Turnover	**26,336**	30,226
Gross profit	**1,849**	9,384
Operating profit/(loss)	**1,863**	(5,260)
Profit/(loss) on ordinary activities before taxation	**3,440**	(5,989)
Balance Sheet as at 31 March 2013		
Fixed assets	**105**	121
Current assets	**68,332**	24,355
Net current assets	**24,210**	20,770
Net assets	**24,186**	20,708

Star Energy Oil & Gas Limited

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Income Statement for the year ended 31 March 2013		
Turnover	**-**	26,507
Gross profit	**-**	17,651
Profit on ordinary activities before taxation	**4,260**	46,991
Profit for the financial year	**4,421**	49,063
Balance Sheet as at 31 March 2013		
Current assets	**59,583**	55,359
Net current assets/(liabilities)	**56,576**	52,155
Net assets	**56,576**	52,155

Star Energy (East Midlands) Limited

Income Statement for the year ended 31 March 2013

The company was dormant throughout the year following the transfer of all activity to Star Energy Oil and Gas Limited on 31 March 2011, and accordingly no profit and loss account has been presented.

	(Audited) Year ended 31 March 2013 £	(Audited) Year ended 31 March 2012 £
Balance Sheet as at 31 March 2013	**1**	1
Current assets	**1**	1
Net current assets	**1**	1
Net assets	**1**	1

Island Gas (Singleton) Limited

	(Audited) Year ended 31 December 2012 £000	(Audited) Year ended 31 December 2011 £000
Income Statement for the year ended 31 December 2012		
Turnover	**10,189**	9,786

		Operating (loss)/profit	**(15,196)**	2,238
		Loss on ordinary activities before taxation	**(18,273)**	(3,756)
		Loss for the financial year	**(4,428)**	(6,436)
		Balance Sheet as at 31 December 2012		
		Fixed assets	**18,909**	19,320
		Current assets	**5,366**	54,375
		Net current (liabilities)/assets	**(3,375)**	17,862
		Total assets less current liabilities	**15,534**	37,182
		Net (liabilities)/assets	**(3,737)**	691
B.19/ B.13	Recent events.	Not applicable; there have been no recent events particular to any of the Guarantors which are to a material extent relevant to the evaluation of any Guarantor's solvency.		
B.19/ B.14	Dependence of the Guarantors on other entities within the Group.	IGas is a holding company and owns directly or indirectly 100 per cent. of the share capital of the other members of the Group. The Group's exploration, drilling and production of gas operations are carried out by Island Gas Limited, IGas Exploration UK Limited and Island Gas (Singleton) Limited. Island Gas Operations Limited purchases gas from Island Gas Limited and uses its own generator to turn this gas into electricity for sale to third parties. Star Energy Group Limited, Star Energy Oil & Gas Limited and Star Energy Limited are intermediate holding companies of the Group and provide management services to its subsidiaries. Star Energy Weald Basin Limited acts as an agent and sells oil on behalf of third parties and other Group companies. Star Energy (East Midlands) Limited is dormant and does not provide any intragroup services. The Guarantors receive their overall head office management from IGas.		
B.19/ B.15	The Guarantors' principal activities.	The principal activities of each of the Guarantors is as follows: Island Gas Limited: the exploration and production of gas; Island Gas Operations Limited: the entry into framework power purchase agreements to provide power to major suppliers of electricity in the UK; IGas Exploration UK Limited: the exploration and production of gas; Star Energy Group Limited: acting as an intermediate holding company of the indirect subsidiaries of the Issuer; Star Energy Limited: acting as an intermediate holding company of the indirect subsidiaries of the Issuer and the provision of management services to the Group; Star Energy Weald Basin Limited: acting as agent in the sale of oil on behalf of third parties and the other members of the Group; Star Energy Oil & Gas Limited: acting as an intermediate holding company of the indirect subsidiaries of the Issuer; Star Energy (East Midlands) Limited: this company is dormant; and Island Gas (Singleton) Limited: the exploration and production of gas.		
B.19/ B.16	Controlling persons.	Each of the Guarantors is directly or indirectly wholly owned and controlled by the Issuer.		
B.19/ B.17	Credit ratings.	Not applicable; none of the Guarantors, nor any of its debt securities, have been assigned any credit ratings by a credit rating agency.		
B.19/ B.18	Guarantee and the Security.	The Guarantee: The Guarantors have unconditionally, jointly and severally, guaranteed the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds. Security: IGas and each of the Guarantors has provided security over all of its present and future business, assets and undertaking to the Bond Trustee on behalf of the Bondholders, to secure all payments due and payable in respect of the Bonds.		

SECTION C – SECURITIES		
C.1	Type and class.	The 10.00 per cent. Senior Secured Guaranteed Callable Bonds due 22 March 2018 have been issued and registered with Verdipapirsentralen (VPS), the Central Securities Depository in Norway (the "**Securities Depository**"). The nominal amount of each Bond (being the amount which is used to calculate payments made on each Bond) is US$1.00. The Bonds are currently traded on the Nordic Alternative Bond Market ("**Nordic ABM**") with the symbol IGAS01 PRO and Instrument ID: 1300601. The ISIN (International Securities Identification Number) for the Bonds is NO0010673791.
C.2	Currency.	The currency of the Bonds is US Dollars.
C.5	Restrictions on the free transferability.	Not applicable; there are no restrictions on the free transferability of the Bonds, save for any selling restrictions under local laws to which a Bondholder may be subject. Bondholder means a holder of Bond(s) as registered with the Securities Depository.
C.8	Rights attaching to the securities including: Ranking and limitations to those rights.	The Bonds constitute secured senior debt obligations of the Issuer. The Bonds will rank equally without any preference between themselves and in priority to all unsecured obligations of the Issuer. In the event of insolvency of the Issuer, but only to the extent permitted by applicable laws, the Bondholders shall rank ahead of subordinated debt. The Bonds contain a negative pledge provision as set out in the Bond Agreement. Under this provision, no member of the Group may create or have outstanding any security interest over any of their present or future respective assets or revenues subject to certain exceptions including those in favour of the Bond Trustee. <u>Events of default</u> Events of default include non-payment of any payment obligation due under the Bond Agreement, breach of other obligations pursuant to the Bond Agreement (which breach is not capable of remedy or not remedied within 10 days of notice to the Issuer), defaults under other agreements for borrowed money of any member of the Group, subject to an aggregate threshold of US$5 million, the enforcement of any security created or assumed by any member of the Group and certain events related to the insolvency or winding up of any member of the Group. Bond Trustee certification that certain events would be materially prejudicial to the interests of the Bondholders is required before certain events will be deemed an event of default. Non-payment: The Issuer fails to fulfil any payment obligation under the Bond Agreement when due, unless, in the opinion of the Bond Trustee it is likely that such payment will be made in full within five business days of the original due date. In the event that one or more events of default occurs and is continuing, the Bond Trustee may, in order to protect the interests of the Bondholders, declare those Bonds not redeemed or otherwise discharged, including any accrued interest, costs and expenses, to be in default and due for immediate payment. <u>Optional early repayment by Issuer</u> The Bonds may be repaid in full or in part by the Issuer before the Maturity Date, as follows: (a) at any time from 22 March 2016 to, but not including, 22 March 2017 at 105.00 per cent. of their nominal amount plus accrued interest on the redeemed amount; and (b) at any time from 22 March 2017 to, but not including, 22 March 2018 at 103.00 per cent. of their nominal value plus accrued interest on the redeemed amount. <u>Bondholders' optional early repayment</u> Upon the occurrence of a change of control event, a Bondholder may elect for its Bonds to be repaid at their nominal amount plus accrued interest.

		In summary, a change of control event will occur if a takeover or merger of IGas leads to the acquisition of over 30 per cent. of the voting share capital of IGas by any one entity (or a group of entities acting together). Meetings of Bondholders The Bond Agreement contains provisions for calling meetings of Bondholders to consider matters affecting the interests of the Bondholders. These provisions permit certain majorities to bind all Bondholders, including Bondholders who did not vote on the relevant resolution and Bondholders who did not vote in the same way as the majority did on that resolution. Modification, waiver and substitution The Bond Agreement provides that the Bond Trustee may, without the consent of Bondholders, agree to: (a) any modification of any of the provisions of the Bond Agreement that is, in the opinion of the Bond Trustee of a formal, minor or technical nature, or is made to correct an obvious error or an error which, in the opinion of the Bond Trustee, is proven; or (b) waive, modify or authorise any proposed breach or actual breach by the Issuer of a provision of the Bond Agreement if, in the opinion of the Bond Trustee, such modification does not materially and adversely affect the rights or interests of the Bondholders.
C.9	Rights attaching to the securities, including information as to interest, maturity, yield and the representative of the Bondholders.	Interest rate The Bonds will accrue interest from and including 22 March 2013 at the fixed rate of 10.00 per cent. per annum. The interest on the Bonds is payable twice a year on each 22 March and 22 September (each a "**Semi-Annual Instalment Date**") until the date the Bonds are repaid or the Maturity Date, whichever is the earlier. Subject to the effect of any prior redemptions or purchases of Bonds, in accordance with their terms, the Bonds shall be repaid (unless previously redeemed or purchased and cancelled) by the Issuer in instalments of an aggregate amount of US$4,125,000 payable on each Semi-Annual Instalment Date from 22 September 2013 up to and including 22 September 2017 with a final aggregate payment of US$127,875,000 due on the Maturity Date. Initial Interest Payment Interest payments can be made up to five business days after the date of any Semi-Annual Instalment Date without being an event of default provided that the Bond Trustee is satisfied that the payment will be made in full. Funds in respect of the first interest payment were delivered by the Issuer to the Paying Agent ahead of the payment date (which was Sunday 22 September 2013, not being a business day) but on condition that the funds would not be paid for the account of the Bondholders until the Bonds were admitted to trading on the Oslo Børs or the Nordic ABM (which allows the payment of interest to be made without the deduction of withholding tax). Payment of the first interest instalment has been made in full, on the date of this Prospectus, prior to the expiry of the five business day period upon the Bonds being admitted to trading on the Nordic ABM. Maturity Date Unless previously purchased and cancelled in accordance with the Bond Agreement, the Bonds will be repaid/redeemed in full on 22 March 2018. Indication of yield On the basis of the issue price of the Bonds of 100 per cent. of their nominal amount, the initial yield of the Bonds on the Issue Date is 10 per cent. on an annual basis. This initial yield is not an indication of future yield. Representative Norsk Tillitsmann ASA is the Bond Trustee, representing the Bondholders.
C.10	Derivative components	Not applicable; the interest rate on the Bonds is fixed and there is no derivative component in the interest payments made in respect of the Bonds. This means

	in interest payment.	that the interest payments are not linked to any specific market references, such as inflation, an index or otherwise.
C.11	Listing and Trading.	Application is expected to be made for the securities to be admitted to listing on the Oslo Børs. Oslo Børs is a regulated market. The Issuer will request that the FCA, as competent authority, provide a certificate of approval of the Prospectus to the Financial Supervisory Authority of Norway (*Finanstilsynet*), pursuant to the passporting provisions of the Financial Services and Markets Act 2000 ("**FSMA**"). Until such time as the Bonds are listed on the Oslo Børs, the Bonds are admitted to trading on the Nordic ABM. The admission to trading on the Nordic ABM took place on 30 September 2013 and will be terminated upon the Bonds being listed on the Oslo Børs. The change of listing has no effect on the ISIN No of the Bonds which will remain NO 0010673791, nor will the change of listing affect any of the rights attaching to the Bonds, payment of interest, transfer or payment mechanics, or tax attributes of the Bonds. It is not expected that the securities will be admitted to trading on any other regulated market or other equivalent markets.

SECTION D – RISKS		
D.2	Key information on the key risks that are specific to the Issuer and the Guarantors.	• the financial condition of the Group's operations is dependent on the price and consumption levels of oil and natural gas; a substantial or extended decline in such prices or consumption levels could have a material adverse effect on the revenues generated by the Group's operations. The Issuer and the Guarantors have sufficient working capital (including for the payment of interest under the Bonds) for at least the next 12 months, however in the longer term oil price and consumption declines could affect the ability of the Issuer to fulfil its payment obligations as to principal and interest under the Bonds and of the Guarantors to meet their obligations under the Guarantee; • the Group has sufficient working capital (including for the payment of interest under the Bonds) for at least the next 12 months however if credit market conditions deteriorate, it may be more costly for the Group to raise additional finance to fund longer term development and production activity. This could have a material adverse effect on the Group's business, financial condition or results of operations and therefore the Issuer's ability to meet its longer term interest payment and capital repayment obligations under the Bonds and the Guarantors' ability to meet their long term obligations under the Guarantee; • a significant reduction in the operating cash flows from the Group's operations resulting from prolonged changes in economic conditions, increased competition or other events could increase the need for additional or alternative sources of liquidity and could have a material adverse effect on the future business, financial condition or results of the Group's operations and, this could affect the ability of the Issuer in the long term to service its debt and meet its obligations under the Bonds and of the Guarantors' ability to meet their obligations under the Guarantee; and • the operations of the Group are dependent on delivery of production plans. These are dependent on the successful continuation of existing field production operations and the development of future projects. Whilst the Group has a diverse portfolio of producing and exploration assets these remain subject to incidental risks, including blowouts, oil spills, explosions, fires, natural disasters and geological uncertainties. Incidents of the aforementioned nature could lead to interruptions and delays which could ultimately affect the future cash flows of the Group, and therefore the Issuer's long term ability to meet its obligations under the Bonds and the Guarantors' ability to meet their obligations under the Guarantee.
D.3	Key information on the key risks that are specific to the securities.	• the Bonds are secured by English law security over all of the assets of the Issuer and each Guarantor including, without limitation, the shares owned by the Issuer in each of the Guarantors. However, in the event of a foreclosure, the proceeds from a sale of this security may not be sufficient to satisfy amounts due under the Bonds; • defined majorities may be permitted to bind all of the Bondholders with respect to modification and waivers of the terms and conditions of the Bonds, including Bondholders who did not attend and vote or who voted in a manner contrary to the majority; • there is a risk of early redemption of the Bonds by the Issuer at its option. A Bondholder may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate of the Bonds; and • a secondary market in the Bonds may not develop, or may be illiquid, which would have a severely adverse effect on the market value of the Bonds.

SECTION E – OFFER		
E.2	Reasons for the offer and use of proceeds.	The offer of the Bonds was made in order to repay the Group's loan facilities from Macquarie and the settlement of hedging agreements previously entered into with Macquarie. Of the proceeds of the offer, US$136.225 million was used to pay outstanding principal on the loan and US$0.462 million was used to pay interest on the loan up to 10 April 2013. The settlement of the Group's oil hedging agreements amounted to US$15.061 million and US$1.182 million was used to settle the Group's interest rate swaps. Fees and expenses relating to the repayment of the loan facilities and the settlement of the hedges amounted to US$3.097 million. The balance of the proceeds amounted to US$8.973 million which was used to fund working capital requirements of the Group (being an overall proportion of approximately 5 per cent. of the total proceeds from the offer of the Bonds).
E.3	Terms and conditions of the offer.	Not applicable. The Offer Period for the Bonds has now closed and no further Bonds will be offered or issued pursuant to this Prospectus.
E.4	Interests material to the offer.	Not applicable. There are no interests material to the offer, as the Offer Period for the Bonds has now closed.
E.7	Estimated expenses charged to the investor by the issuer or the offeror.	Not applicable. There are no expenses charged to the investor, as the Offer Period for the Bonds has now closed.

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RISK FACTORS

The following is a description of the principal risks and uncertainties which may affect each of the Issuer's and the Guarantors' ability to fulfil its respective obligations under the Bonds.

Before investing in the Bonds, you should consider whether the Bonds are a suitable investment for you. There are risks associated with an investment in the Bonds, many of which are outside the control of the Group. These risks include those in this section.

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this Prospectus and reach your own view before making an investment decision. The Issuer and the Guarantors believe that the factors described below represent the material risks and uncertainties as at the date of this Prospectus which may affect its ability to fulfil their obligations under the Bonds or the Guarantee, but the Group may face other risks that may not be considered material risks by the Issuer or the Guarantors based upon information available to it at the date of this Prospectus or that it may not be able to anticipate. Factors which the Issuer and the Guarantors believe may be material for the purpose of assessing the market risks associated with the Bonds are described below. If any of the following risks actually occur then these could have a material adverse effect on the Issuer's or the Guarantors' ability to fulfill their obligations to pay interest, principal or other amounts in connection with Bonds or the Guarantee.

You should note that the risks relating to the Group, its industry and the Bonds summarised in Section 1 (Summary) are the key risks that the Issuer and the Guarantors believe to be the most essential as at the date of this Prospectus to an assessment by a prospective investor of whether to consider an investment in the Bonds. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, you should consider not only the information on the key risks summarised in Section 1 (Summary) but also, among other things, the risks and uncertainties described below.

2.1 Operational risks relating to the Group

A substantial or extended decline in oil and natural gas prices or consumption may adversely affect the Group's business, financial condition and results of operations.

Historically, hydrocarbon prices have been subject to large fluctuations in response to a variety of factors beyond the Group's control, including operational issues, natural disasters, weather, political instability or conflicts, economic conditions or actions by major oil-exporting countries. Price fluctuations can affect the business assumptions, investment decisions and financial position of the Group and therefore the Issuer and the Guarantors. In particular, a substantial or extended decline in the price or consumption of oil and gas could have a short or long term effect on the Group's financial condition. Lower hydrocarbon prices or reduced demand for oil and gas could reduce the economic viability of the Group's projects, result in a reduction in revenues or net income, adversely affect the Group's ability to maintain working capital requirements, impair its ability to make planned expenditures and could materially adversely affect its prospects, financial condition and results of operations. The degree to which the crystallisation of these risks may affect the financial condition of the Group would depend on the degree and period of decline. The Group has sufficient working capital for at least the next 12 months. A steady or substantial decline in the oil price and consumption could affect both the longer term ability of the Issuer to make payments under the Bonds and the Guarantors' longer term ability to meet their requirements under the Guarantee to the extent that such decline is not mitigated by the Group's hedging activities.

The Group is subject to currency, commodity price and interest rate fluctuations and related risks associated with its hedging strategy.

The Group uses hedging instruments to manage the impact of currency and commodity price fluctuations which are operated on a rolling programme. The Issuer and the Guarantors believe that the extent of hedging currently in place offers sufficient protection against currency, commodity and interest rate fluctuations for at least 12 months from the date of this document. In the event of any counterparty to such a hedging instrument failing to satisfy any of its payment or delivery obligations under such instrument, the Group's ability to manage commodity price risk may be adversely affected and this could in turn materially adversely affect its business, financial condition and results of operations, in accordance with the duration of the Group's current hedging arrangements. In the future this may impact the Issuer's ability to fulfil its obligations under the Bonds and the Guarantors' ability to fulfil their obligations under the Guarantee.

Credit market conditions could increase the Group's finance costs or restrict its ability to take advantage of opportunities in the long term.

All of the projects which are intended to be developed by the Group are highly capital intensive. Whilst the Group has sufficient working capital for at least the next 12 months, recent events in the credit markets have significantly restricted the supply of credit, as financial institutions have applied more stringent lending criteria or exited the market entirely. Consequently, the funding available to the Group in the future to allow it to complete some of the longer term projects or to commence others in the medium term may be more costly to obtain.

An increase in the cost of future debt would increase the Group's future costs and make future projects less economically viable. This could adversely affect the financial condition of the Group and in the long term, the Issuer's ability to make repayments of capital under the Bonds and the Guarantors' ability to fulfil their long term requirements under the Guarantee.

The Group's leverage and debt service obligations may adversely affect the Group's future financial performance and profitability.

Total debt of the Group following completion of the issue of the Bonds is US$ 165,000,000. This level of indebtedness could have the following consequences for investors in the future:

- the Issuer must use a substantial portion of its cash flow to pay interest and principal on the Bonds, which will reduce the funds available for future operational purposes; and
- the Group may be at a competitive disadvantage relative to its competitors who operate on a less leveraged basis,

in each case, the consequence may be that in the long term the Issuer becomes unable to continue to meet payment of interest and principal on the Bonds and the Guarantors may not be able to meet their obligations under the Guarantee.

The Group is subject to extensive regulations and permitting requirements. New legislation or regulations or failure to comply with such requirements could have a materially adverse impact on the Group's business.

The Group's current and anticipated future operations, including further exploration, appraisal, development, production and ultimately decommissioning activities, require numerous permits and approvals from various national and local governmental authorities. The permits that may be required for construction of development and/or production facilities and conduct of development and/or production operations must be obtainable on reasonable terms which would allow the Group to carry out economically viable production. Unfavourable amendments to current laws, regulations and permits governing operations and activities of development and/or production companies, or more stringent implementation thereof, could have a materially adverse impact on the business of the Group and cause increases in capital expenditures which could adversely affect the Group's financial condition, and lead to a reduction or cessation of affected operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including civil or criminal fines or penalties, orders issued by regulatory or judicial authorities causing operations to cease or be reduced, and may include corrective measures requiring capital expenditure, installation of additional equipment or remedial actions. If such penalties were significant, they could adversely affect the Group's financial condition.

The government extensively regulates the Group's operations, which imposes significant costs and future regulations (or judicial interpretations of existing laws and regulations) could increase those costs or reduce or limit its ability to produce hydrocarbons. Substantial increases in the costs sustained over a long period of time could reduce the available cash flow of the Group in the long term, which could affect the Issuer's ability to meet payment of interest and principal under the Bonds, and affect the Guarantors' ability to meet their obligations under the Guarantee. The Group is subject to extensive regulations with respect to matters such as but not only:

a. employee health and safety;

b. permitting and licensing requirements;

c. environmental issues such as air quality standards, water quality standards, and the effects of development and/or production operations on groundwater quality and availability;

d. plant and wildlife protection;

e. reclamation/restoration of properties after production completed;

f. discharge of materials into the environment, including, inter alia, water disposal and gas flaring; and

g. surface subsidence from underground production.

Fracking can be used to increase or restore the rate at which water and hydrocarbon resources are released from subterranean natural reservoirs and is used in relation to shale gas. Fracking is achieved by injecting a fluid into the rock structure, typically consisting of a slurry of water, proppants and chemical additives. The process of fracking is currently under review by a number of governmental and non-governmental environmental agencies around the world. Whilst the Group does not currently use fracking as an exploration or development tool for shale gas if the results from the Group's current exploratory drilling confirms that production from its shale gas resources are commercially viable, the Group may seek such consents in the future (although such consents are not likely to be obtained within the next 12 months given the stage of the Group's current exploration activities and the likely timeframe to make such applications and receive such consents). The results of environmental assessments may ultimately curtail the Group's potential use of fracking as an exploration and development tool, to enhance recovery of its shale gas resources which in turn may impact the Group's ability to maximise the recovery of its resources in the future. This could affect the Issuer's ability to meet its long term obligations under the Bonds and the Guarantors' ability to fulfil their long term requirements under the Guarantee.

The Group's longer-term success is dependent on accessing new oil and gas resources and efficiently developing and exploiting current reserves.

Future hydrocarbon production will depend on the Group's access to new resources through exploration, negotiations with governments and other owners of known reserves, and acquisitions. Failures in exploration or in identifying and finalising transactions to access potential reserves could slow the Group's oil and gas production growth and replacement of reserves. This could have an adverse effect on the Group's turnover and profits and, in the long term, the Issuer's ability to meet its obligations under the Bonds and the Guarantors' ability to meet its obligations under the Guarantee.

In addition, the results of appraisal of discoveries are uncertain and may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but uneconomic to develop. Appraisal and development activities may be subject to delays in obtaining governmental approvals or consents, shut-ins of connected wells, insufficient storage or transportation capacity or other geological and mechanical conditions all of which may variously increase the Group's costs of operations. If exploration activities prove unsuccessful over a prolonged period of time this, in the long term, could adversely affect the ability of the Issuer to meet its obligations under the Bonds and the Guarantors' ability to fulfil their obligations under the Guarantee.

Producing natural gas reservoirs are typically characterised by declining production rates that vary depending upon reservoir characteristics and other factors. The proportion of the Group's resources attributable to Coal Bed Methane ("**CBM**") generally declines at a shallow rate after initial increases in production which result as a consequence of the dewatering process. The rate of decline from the Group's existing wells may change in a manner different than what it has estimated. This could affect the Group's long term hydrocarbon reserves and production and, therefore, its cash flow and income. In addition, the Group may not be able to economically develop, find, or acquire future reserves to replace its current and future production at acceptable costs. This could directly affect the Group's results and financial condition, which in the long term, may affect the Issuer's ability to fulfil its obligations under the Bonds and the Guarantors' ability to meet their requirements under the Guarantee.

The Group's actual future exploration costs may differ materially from its estimates, which may materially and adversely affect its viability in the long term.

Exploration expenditure estimates are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Additionally, shale gas and CBM sometimes require unconventional methods of exploration which can be more expensive than conventional exploration methods. Further, shale gas and CBM by their nature are often also produced with a significant amount of water and hence the environmental implications of carrying out both the drilling and dewatering operations in the future can be costly and time consuming for the Group.

This could reduce the amount of distributions paid to the Issuer and the services required from the other Guarantors. This could materially and adversely affect the Group's viability and long term, the Issuer's ability to make payments under the Bonds should the financial condition of the Group be adversely affected. This in turn may affect the Guarantors' ability to fulfil their requirements under the Guarantee.

Unconventional gas exploration and development are highly speculative activities.

Unconventional gas exploration is a highly speculative activity and there are a number of risks which may impact on the overall investment. There is no certainty that the expenditures the Group make towards the search and evaluation of unconventional gas deposits will result in discoveries of commercial quantities. The Group's longer-term profitability is directly related to the success of its project development and exploration activities. In the event that an exploration project is unsuccessful, the value of the Group's business and any associated exploration licences may be diminished. This could affect the Issuer's ability to make payments under the Bonds and the Guarantors' ability to fulfil their requirements under the Guarantee.

The expense of meeting environmental regulations could cause a significantly negative effect on the Group's long term profitability, as could failure to obtain certain necessary environmental permits.

While certain planning authorities currently appear supportive of the type of projects the Group is pursuing, when considering the grant of planning permission for such projects there can be no guarantee that as local structure plans are revised that this policy is not changed, modified or reversed and there can be no assurance that planning might ever be obtained in those areas where authorities are less supportive. Opposition to the Group's future projects could lead to the involvement in appeals or public enquiries where costs to the Group could be potentially large and the ultimate outcome uncertain including failure to obtain the permissions necessary to pursue development and/or production or, if granted, to enable development and/or production to be pursued economically. Currently the Group has all requisite permits in respect of its projects, however in the long term this could affect the availability of resources and production. This may mean that the cash flows of the Group could be adversely affected which could in turn reduce the amount of distributions paid to the Issuer and the services required from the other Guarantors. In the long term, this could adversely after the Issuer's ability to make repayments under the Bonds and the Guarantors' ability to fulfil their obligations under the Guarantee.

If the Group's licences are withdrawn or not renewed, it could have a material adverse effect on its reserves, business, operations and prospects.

In the future the Group may be unable or unwilling to comply with the terms or requirements of a licence in circumstances that entitle the relevant authority to suspend or withdraw the terms of such licence. Moreover, some of the exploration and production licences which the Group holds expire or may expire before the end of what might be the productive life of the licenced fields. There can be no assurance that extensions will be granted and any failure to receive such extensions or any premature termination, suspension or withdrawal of licences may have a material adverse effect on the Group's reserves, business, results of operations and prospects if the terminated licence relates to material assets of the Group. This could affect the Issuer's future ability to make repayments under the Bonds and the Guarantors' ability to fulfil their obligations under the Guarantee in the long term, depending on the length of the respective licence and its effect on the Group's financial position. The Group currently complies with the terms and requirements of each of its licences and has made or will make application to the Department of Energy and Climate Change ("**DECC**") to renew any licence due to expire within the next 12 months.

The production plans are subject to geological and operational obstacles and risks.

The delivery of production plans is dependent on the successful continuation of existing field production operations and the development of key projects. Both of these involve risks normally inherent to such activities including blowouts, oil spills, explosions, fires, equipment damage or failure, natural disasters, geological uncertainties, unusual or unexpected rock formations, abnormal pressures, availability of technology and engineering capacity, availability of skilled resources, maintaining project schedules and managing costs, as well as technical, fiscal, regulatory, political and other conditions. Such potential obstacles may impair the continuation of existing field production and delivery of key projects and, in turn, the Group's operational performance and financial position (including the financial impact from failure to fulfil contractual commitments related to project delivery).

The Group may face interruptions or delays with respect to future exploration and production activities in relation to the availability of infrastructure, including pipelines and storage tanks, on which exploration and production activities are dependent. The production performance of reservoirs and wells developed in the future may also be different to that forecast due to normal geological or mechanical uncertainties. Such interruptions, delays or performance differences could result in disruptions or changes to the Group's future production and projects by lowering production and increasing costs, and may have an adverse effect on the Group's future profitability which in turn could affect the Issuer's ability in the long term to meet payment of interest and principal in relation to the Bonds and the Guarantors' ability to fulfil their obligations under the Guarantee. The Group has conducted exploratory work on potential sites where drilling is to commence within the next 12 months. In relation to these sites, items which take longer to be prepared and delivered by suppliers, such as wellhead and casings, have been ordered and negotiations with third party drilling and service companies have been concluded.

The Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage.

The Group may be subject to substantial liability claims due to the inherently hazardous nature of its business or for acts and omissions of subcontractors, operators or joint venture partners. Any contractual indemnities it may receive from such parties may be difficult to enforce if such sub-contractors, operators or joint venture partners lack adequate resources. There can be no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover related losses or liabilities. In addition, the Group may also suffer material losses from uninsurable or uninsured risks. The occurrence of any of these risks could adversely affect the Group's financial performance and in turn the Issuer's ability to make payments under the Bonds and the Guarantors' ability to fulfil their requirements under the Guarantee.

Estimation of resources, reserves and production profiles are based on judgements and assumptions.

In general, there is inherent risk in estimates of oil and gas reserves, and their anticipated production profiles, because it involves subjective judgements and determinations based on available geological, technical, contractual and economic information. They are not exact determinations and the actual resources, reserves and production may be greater or less than those calculated. In addition, these judgements may change based on new information from production or drilling activities or changes in economic factors, as well as from developments such as acquisitions and disposals, new discoveries and extensions of existing fields and the application of improved recovery techniques.

If any estimates of hydrocarbon resources, reserves or production profiles (including any competent persons reports ("**CPR**") upon which the Group relies upon in making any operational decision) prove to be substantially incorrect, the Group may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in such estimates and the business, prospects, financial condition or results of operations of the Group could be materially adversely affected which in turn could directly affect the Issuer's long term ability to meet payment obligations in relation to the Bonds and the Guarantors' ability to fulfil their requirements under the Guarantee in the medium to long term. Data obtained from exploratory drilling and production data from producing wells, together with seismic models produced by the Group, are used to supplement and verify estimates of resources, reserves and production profiles.

The Group's technical engineers build 3D geological, static and dynamic models to simulate field performance (both production and reserves) which is validated by actual results from its field production. This is in addition to using classical oil field practice of carrying out technical and material balances and decline curve analysis of assets.

The Group is a small operator compared to many other companies in its industry and may not have the resources (both financial and technical) that larger, more established operators may have.

The Group operates in a challenging business environment where there is intense competition for access to exploration acreage, gas markets, oil services and rigs, technology and processes, and human resources. The Group's competitors include companies with, in many cases, greater financial resources, local contacts, staff and facilities. Competition for exploration and production licences as well as other regional investment or acquisition opportunities may increase in the future. This may lead to increased costs in the carrying on of the Group's long term activities and reduced available growth opportunities. Therefore, any failure on the Group's part to compete effectively could adversely affect its long term operating results and financial condition which, in the long term, could affect the Issuer's ability to meet payment obligations in relation to the Bonds and the Guarantors' ability to fulfil their requirements under the Guarantee.

2.2 Risks Related to the Bonds

In the event of a foreclosure, the proceeds from a sale of the collateral securing the Bonds may not be sufficient to satisfy amounts due on the Bonds.

IMPORTANT NOTE: IF THE ISSUER DEFAULTS ON ITS OBLIGATION TO MAKE PAYMENTS IN RESPECT OF THE BONDS OR ANY GUARANTOR FAILS TO MEET ITS OBLIGATIONS UNDER THE GUARANTEE, THE AMOUNT OF PROCEEDS THAT ULTIMATELY WOULD BE DISTRIBUTED IN RESPECT OF THE BONDS OR THE GUARANTEE UPON A FORECLOSURE OR OTHER ENFORCEMENT ACTION MAY NOT BE SUFFICIENT TO SATISFY THE OBLIGATIONS TO REPAY THE PRINCIPAL OR ACCRUED INTEREST UNDER THE BONDS OR THE GUARANTEE.

The Bonds are secured by a first priority debenture, governed by English law, containing a grant of fixed and floating charges over all of the assets of the Issuer and each Guarantor (the "**Obligors**" and each an "**Obligor**") including, without limitation, the shares owned by the Issuer in each of its English subsidiaries and an assignment of the right, title and interest by each Obligor or their respective insurance policies and material contracts to which they are a party.

The amount to be received upon a sale of the security would be dependent on numerous factors, including the actual fair market value of the security at the time of such sale, the timing and manner of the sale and the availability of buyers. In general, the fair market value of the security given is subject to fluctuations based on factors that include, among others, general economic conditions, results of production and similar factors. In addition, by its nature, portions of the security may be illiquid or may not have a readily ascertainable market value. In those situations, the security could not be sold for cash, or it may be difficult to ascertain at what price to sell the security.

Floating charges are subject to the rights of third parties in certain circumstances and therefore will not have first priority in any insolvency process or on an enforcement of security. The claims of certain preferential creditors (principally employee claims) and certain costs and expenses of administrators or liquidators in any relevant insolvency procedure will take priority to the claims secured by the floating charge. In an insolvency, or on enforcement of security, a proportion of floating charge assets, after payment of preferential claims and expenses of the administration or liquidation, will be set aside for unsecured creditors. This proportion is known as the "prescribed part" and is subject to a maximum of £600,000 per company. An administrator has the right to dispose of the assets subject to such floating charge, free of such floating charge, though the proceeds remain subject to the security (though also subject to the priorities mentioned above). Creditors who complete an execution or attachment or effect a distress, in relation to assets subject to such floating charge before that floating charge has crystallised may gain priority.

Consequently, there can be no assurance that the proceeds from any sale or liquidation of the security given will be sufficient to satisfy the obligations to repay the principal and accrued interest under the Bonds or the Guarantee. If the proceeds of any sale of security are not sufficient to repay all amounts due on the Bonds or the Guarantee, the Bondholders (to the extent not repaid from the proceeds of the sale of the security) would have only a senior unsecured claim against any remaining assets of the Obligors which were not subject to the security.

Reinvestment risk due to early repayment of the Bonds.

In certain circumstances, the Issuer may, at its option, redeem the Bonds early pursuant to the terms of the Bond Agreement. See Appendix B (Terms and Conditions of the Bonds under the Bond Agreement). If the Issuer redeems the Bonds under such circumstances, the redemption price will be equal to 100 per cent. of the principal amount of the Bonds plus any accrued interest. There can be no guarantee that if the Bonds are redeemed early, the proceeds can be reinvested by Bondholders in another investment with a similar return and risk profile.

Modification and waivers.

The terms and conditions of the Bonds (see Appendix B (Terms and Conditions of the Bonds under the Bond Agreement)) contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. The terms and conditions of the Bonds also provide that the Bond Trustee may, without the consent of all the Bondholders, agree to certain modifications of, or to the waiver or authorisation of certain breaches or proposed breaches of, any of the provisions of the Bonds.

Change of law.

The conditions of the Bonds are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact on the Bonds of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

2.3 *Risks related to the market generally*

The secondary market.

A secondary market in the Bonds may never develop and if one does develop, it may not be very liquid. Therefore, Bondholders may not be able to sell their Bonds easily or at prices that will provide Bondholders with a yield comparable to similar investments that have a developed secondary market. This may have a severe adverse effect on the market value of the Bonds. The Group cannot assure Bondholders as to the future liquidity of the Bonds and as a result, Bondholders bear the financial risk of their investment in the Bonds until 22 March 2018.

Yield.

The indication of yield stated within this Prospectus applies only to investments made at (as opposed to above or below) the issue price of the Bonds. An investment in the Bonds at a price other than the issue price of the Bonds could result in a yield on the investment that is different.

The trading price of the Bonds may be volatile.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Bonds. Any such disruptions could adversely affect the prices at which Bondholders may sell their Bonds. In addition, subsequent to their initial issuance, the Bonds may trade at a discount from their initial placement, depending on the prevailing interest rates, the market for similar notes, performance of the Group and other factors, many of which are beyond the Group’s control.

3

INFORMATION ABOUT THE BONDS

The following is an overview of the key terms of the Bonds.

It is important that you read the entirety of this Prospectus, including the Terms and Conditions of the Bonds, before deciding to invest in the Bonds. If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding to invest.

INFORMATION ABOUT THE BONDS

		Refer to:
What are the Bonds?	The Bonds are secured guaranteed debt instruments issued by the Issuer subject to the terms of the Bond Agreement. The Bonds: (a) entitle Bondholders to receive semi-annual interest payments at a fixed interest rate of 10.00 per cent. per annum; (b) have a nominal amount of US$1.00 each; (c) must be paid back in full (after amortisation) on the Maturity Date unless paid back earlier pursuant to the terms of the Bond Agreement; (d) in certain circumstances however, may be repaid prior to the Maturity Date if the Issuer chooses to do so; (e) are secured by the Issuer's assets and guaranteed by the Guarantors; (f) are currently admitted to trading on the Nordic ABM under symbol "IGAS01 PRO"; and (g) are intended to be admitted to listing on Oslo Børs (at which point the listing on the Nordic ABM will be terminated).	C.8 of Section 1 (Summary) of this Prospectus and (Are the Bonds secured?) below B.18 of Section 1 (Summary) of this Prospectus and (Are the Bonds guaranteed?) below
What were the minimum and maximum application amounts allowed for each investor?	The minimum application amount for each investor was $200,000. There was no maximum subscription amount.	
Who is issuing the Bonds?	The Bonds have been issued by IGas Energy plc.	
What is the relationship between the Issuer and the Group?	The Issuer is a holding company and owns directly or indirectly 100 per cent. of the share capital of the other members of the Group. The Group's exploration, production, investment and development operations are conducted through Island Gas Limited, IGas Exploration UK Limited and Island Gas (Singleton) Limited. In addition, the Issuer (and the other Guarantors in the Group) provide intragroup services to the other members of the Group. These include finance, accounting and human resources functions as well as operational services. This means that other members of the Group are dependent on the Issuer (and the other service providers in the Group) for the provision of these intragroup services.	Section 7 (Description of IGas and the Group – Overview)
What have the proceeds from the Issue of Bonds been used for?	The Bonds were issued in order to finance the repayment of the Group's loan facilities from Macquarie and the settlement of hedges also taken out with Macquarie. Of the proceeds of the offer, US$136.225 million was used to pay outstanding principal on the loan and US$0.462 million was used to repay interest up to 10 April 2013. The settlement of the Group's oil hedges (including payment in relation to the amount accrued in March 2013) amounted to US$15.061 million and US$1.182 million was used to settle the Group's interest rate swaps (including payment in relation to the amount accrued in March	Section 7 (Description of IGas and the Group – Material contracts relating to IGas and/or the Group)

	2013). Fees and expenses relating to the repayment of the loan facilities and the settlement of the hedges amounted to US$3.097 million. The balance of the proceeds amounted to US$8.973 million which was used to fund working capital requirements of the Group (being approximately 5 per cent. of the total proceeds from the offer).	
Will I be able to trade the Bonds?	The Bonds may be purchased or sold through a broker both before and after admission to listing on Oslo Børs. All trades are made over-the-counter. The market price of the Bonds may be higher or lower than their issue price depending on, among other things, the level of supply and demand for the Bonds, movements in interest rates and the financial performance of IGas and the Group. See Section 2 (Risk Factors – The trading price of the Bonds may be volatile).	Section 10 (Additional Information – Listing and admission to trading of the Bonds)
How will interest payments on the Bonds be funded?	Interest payments in respect of the Bonds will be funded from revenues generated from the business of the Group. The operations of the Group are carried out by Island Gas Limited, IGas Exploration UK Limited and Island Gas (Singleton) Limited. The Issuer's principal source of funds is from the receipt of the distributions from the other members of the Group, in particular Island Gas Limited, IGas Exploration UK Limited and Island Gas (Singleton) Limited.	Section 7 (Description of IGas and the Group)
What is the interest rate?	The interest rate payable on the Bonds will be fixed until the Maturity Date at 10.00 per cent. per annum.	
Can the interest rate change?	The interest rate payable on the Bonds is fixed for the life of the Bonds, and can only be changed upon approval by the Issuer and a resolution by a Bondholders' Meeting passed by a 2/3 majority of the Bonds represented at the meeting.	
When will interest payments be made?	The first payment of interest in relation to the Bonds is due to be made on 22 September 2013. Following the first payment, interest is payable twice a year on each 22 March and 22 September (each a Semi-Annual Instalment Date) until the date the Bonds are repaid or the Maturity Date, whichever is the earlier. <u>Initial Interest Payment</u> Interest payments can be made up to five business days after the date of any Semi-Annual Instalment Date without being an event of default provided that the Bond Trustee is satisfied that the payment will be made in full. Funds in respect of the first interest payment were delivered by the Issuer to the Paying Agent ahead of the payment date (which was Sunday 22 September 2013, not being a business day), but on condition that the funds would not be paid for the account of the Bondholders until the Bonds were admitted to trading on the Oslo Børs or the Nordic ABM (which allows the payment of interest to be made without the deduction of withholding tax). Payment of the first interest instalment was made in full, on the date of this Prospectus, prior to the expiry of the five business day period upon the Bonds being admitted to trading on the Nordic ABM.	
How is the amount of interest payable calculated?	The Issuer will pay a fixed rate of 10.00 per cent. interest per year in respect of the Bonds. Interest will be payable in two semi-annual instalments. Therefore, for each US$1.00 nominal amount of Bonds held, for instance, interest of US$0.05 has been received with respect to 22 September 2013 and will be received in the sum of US$0.05 on 22 March	

	2014, and so on until and including the Maturity Date (unless the Bonds are sold or they are repaid by the Issuer before the Maturity Date).	
What is the yield on the Bonds?	On the basis of the issue price of the Bonds of 100 per cent. of their nominal amount, the initial yield (being the interest received from the Bonds expressed as a percentage of their nominal amount) of the Bonds on the Issue Date is 10.00 per cent. on an annual basis.	N/A
What are the repayment provisions?	The Bonds shall be repaid (unless previously redeemed or purchased and cancelled in accordance with the Bond Agreement) by the Issuer in instalments of an aggregate amount of US$4,125,000 payable on each Semi-Annual Instalment Date from 22 September 2013 up to and including 22 September 2017 with a final aggregate payment of US$127,875,000 due on the Maturity Date.	
What will Bondholders receive in a winding up of the Issuer?	If IGas becomes insolvent and is unable to pay its debts, an administrator or liquidator would be expected to make distributions to IGas' creditors in accordance with a statutory order of priority. A claim by a Bondholder would currently be expected to rank ahead of IGas' unsecured creditors and shareholders. A simplified diagram illustrating the ranking of the Bonds compared to IGas' other creditors and shareholders is set out below:	Section 7 (Description of IGas and the Group – Overview)

		Type of obligation	Non-exhaustive examples of IGas' obligations/ securities
Higher ranking	↑	Obligation secured by fixed charge	A fixed charge over shares of certain subsidiaries of the Issuer as security for the Issuer's obligations to the Bondholders
		Expenses of the liquidation/ administration	Expenses of the liquidation/ administration
		Obligation secured by floating charge	Other assets of the Issuer not secured by a fixed charge, as security for the Issuer's obligations to the Bondholders
		Unsecured obligations	Certain debts due to suppliers of IGas
Lower	↓	Shareholders	IGas' ordinary shareholders

However, as well as being aware of the ranking of the Bonds compared to the other categories of creditor and the shareholders of the Issuer, it should be noted that the Issuer holds all of its property assets in its subsidiaries (See Section 7 (Description of IGas and the Group – Overview) for details).

What will Bondholders receive in a winding up of a Guarantor?	If any Guarantor becomes insolvent and is unable to pay its debts, an administrator or liquidator would be expected to make distributions to its creditors in accordance with a statutory order of priority. A claim by a Bondholder would currently be expected to rank ahead of such Guarantor's unsecured creditors and shareholders. A simplified diagram	Section 7 (Description of IGas and the Group – Overview)

<table>
<tr><td></td><td>(which applies equally to each Guarantor) illustrating the ranking of the Bonds compared to such Guarantor’s other creditors and shareholders is set out below:</td><td></td></tr>
<tr><td></td><td>
<table>
<tr><th></th><th>Type of obligation</th><th>Non-exhaustive examples of a Guarantor’s obligations/ securities</th></tr>
<tr><td>Higher ranking</td><td>Obligation secured by fixed charge</td><td>A fixed charge over real property of the Guarantor as security for the Guarantor’s obligations to the Bondholders</td></tr>
<tr><td></td><td>Expenses of the liquidation/ administration</td><td>Expenses of the liquidation/ administration</td></tr>
<tr><td></td><td>Obligation secured by floating charge</td><td>Other assets of the Guarantor not secured by a fixed charge, as security for the Guarantor’s obligations to the Bondholders</td></tr>
<tr><td></td><td>Unsecured obligations</td><td>Certain debts due to suppliers of the Guarantor</td></tr>
<tr><td>Lower</td><td>Shareholders</td><td>The Guarantor’s ordinary shareholders</td></tr>
</table>
</td><td></td></tr>
<tr><td>Are the Bonds secured?</td><td>Yes, IGas’ obligations to pay interest and principal on the Bonds are secured pursuant to the Security Agreement (described in Section 7 (Description of IGas and the Group – Material contracts relating to IGas and/or the Group).</td><td></td></tr>
<tr><td>Are the Bonds guaranteed?</td><td>Yes, the Guarantors unconditionally, jointly and severally, on an on-demand basis, guarantee, amongst other things, the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds.

The obligations under the Guarantee cannot be called provided that any interest payment is made in full within five business days of its due date.</td><td>Section 7 (Description of IGas and the Group – Material contracts relating to IGas and/or the Group)</td></tr>
<tr><td>Do the Bonds have a credit rating?</td><td>No, the Bonds will not when issued be rated by any credit rating agency. The Issuer currently does not have any intention of applying for a credit rating from any credit rating agency.</td><td></td></tr>
<tr><td>When will the Bonds be repaid?</td><td>The Issuer must repay all the Bonds on the Maturity Date (unless repaid earlier), which is 22 March 2018. The repayment price under such circumstances will be the nominal amount of the Bonds.

The Issuer may repay all or any part of the Bonds prior to the Maturity Date in certain circumstances including, inter alia, (a) at any time from 22 March 2016 to, but not including, 22 March 2017 at 105.00 per cent. of their nominal amount plus accrued interest on the redeemed amount; and (b) at any time from 22 March 2017 to, but not including, 22 March 2018 at 103.00 per cent. of their nominal value plus accrued interest on the redeemed amount.

The Bonds may be repaid if the Bondholders so elect at their nominal amount plus accrued interest if a Change of Control Event occurs. In summary, a Change of Control Event might be expected to occur if a takeover or merger of IGas leads to the acquisition of over 30 per cent. of the voting share capital of</td><td>N/A</td></tr>
</table>

	IGas by any one entity (or a group of entities acting together).	
Do the Bonds have voting rights?	Bondholders have certain rights to vote at meetings of Bondholders, but are not entitled to vote at any meeting of shareholders of the Issuer or any member of the Group.	
Who will represent the interests of the Bondholders?	Pursuant to the terms of the Bond Agreement, the Bond Trustee is appointed to act on behalf of the Bondholders as an intermediary between Bondholders and IGas throughout the life of the Bonds. The main obligations of IGas (such as the obligation to pay and observe the various covenants set out in the Bond Agreement (the "**Covenants**")) are owed to the Bond Trustee. These obligations are enforceable by the Bond Trustee only, not the Bondholders themselves. Although the entity chosen to act as Bond Trustee is chosen and appointed by the Issuer, the Bond Trustee's role is to protect the interests of the Bondholders.	
Can the Bond Agreement be amended?	The Bond Agreement provides that the Bond Trustee may agree to: (a) any modification of any of the provisions of the Bond Agreement that is, in the opinion of the Bond Trustee, of a formal, minor or technical nature or is made to correct a manifest error (which is an indisputable error) or an error which, in the opinion of the Bond Trustee, is proven; or (b) waive, modify or authorise a proposed breach by the Issuer of a provision of the Bond Agreement if, in the opinion of the Bond Trustee, such modification does not materially and adversely affect the rights or interests of the Bondholders. Otherwise, the Bond Agreement may only be amended with the approval of the Bondholders' Meeting. The Bond Agreement may only be amended in writing and with the approval of the Issuer and its subsidiaries (if a party thereto) and the Bond Trustee.	Appendix B (Terms and Conditions of the Bonds – Meetings of Bondholders, Modification, Waiver and Substitution)
What if I have further queries?	If you are unclear in relation to any matter, or uncertain if the Bonds are a suitable investment, you should seek professional advice from your broker, solicitor, accountant or other independent financial adviser before deciding whether to invest.	Appendix B (Terms and Conditions of the Bonds – Meetings of Bondholders, Modification, Waiver and Substitution)
Who is the Paying Agent?	The Paying Agent under the Bond Agreement is DNB Bank ASA, whose business address is Dronning Eufemias gate 30 0191, Oslo.	Appendix B (Terms and Conditions of the Bonds – paragraph 6 – Payments)

IMPORTANT NOTICE:

THE OFFER PERIOD FOR SUBSCRIPTION FOR THE BONDS HAS NOW CLOSED AND NO FURTHER BONDS WILL BE ISSUED PURSUANT TO THIS PROSPECTUS.

4

SELECTED FINANCIAL INFORMATION

This section sets out important historical financial information relating to the Issuer and each Guarantor.

SELECTED FINANCIAL INFORMATION

The following tables set out in summary form: (i) the consolidated income statement, balance sheet and cash flow statement of the Issuer; and (ii) the income statement, balance sheet and cash flow statement, as applicable, of (x) the Issuer and (y) each of the Guarantors. The information is extracted (without material adjustment) from, and is qualified by reference to and should be read in conjunction with, as applicable:

(a) the audited consolidated financial statements of the Issuer and the audited non-consolidated financial statements of the Issuer for the 15 months financial period ended 31 March 2012 and the financial year ended 31 March 2013;
(b) the audited financial statements of Island Gas Limited, Island Gas Operations Limited and IGas Exploration UK Limited for the 15 months financial period ended 31 March 2012 and the financial year ended 31 March 2013;
(c) the audited financial statements of Star Energy Group Limited, Star Energy Limited, Star Energy Weald Basin Limited, Star Energy Oil & Gas Limited and Star Energy (East Midlands) Limited for the financial years ended 31 March 2012 and 2013; and
(d) the audited financial statements of Island Gas (Singleton) Limited for the years ended 31 December 2011 and 2012,

each of which is included in this Prospectus at Annex D, together with the audit reports prepared in connection therewith and the accompanying notes therein.

The accounting reference date of the Group is 31 March and the Issuer, as well as Island Gas Limited, Island Gas Operations Limited and IGas Exploration UK Limited extended each of their accounting reference dates in 2011 from 31 December 2011 to 31 March 2012, resulting in the need to prepare accounts for the extended 15 month period to 31 March 2012.

IGas Energy Plc
Consolidated Income Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Revenue	**68,304**	22,120
Gross profit	**30,262**	10,079
Operating profit/(loss)	**21,922**	(16,182)
Finance income	**447**	2,374
Finance costs	**(28,368)**	(4,089)
Net finance costs	**(27,921)**	(1,715)
Profit/(Loss) on ordinary activities before tax	**(5,999)**	(17,897)
Income tax (charge)/credit	**(12,356)**	5,773
Profit/(Loss) from continuing operations	**(18,355)**	(12,124)

Consolidated Balance Sheet
As at 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Non-current assets	**231,385**	181,297
Current assets	**122,321**	20,744
Current liabilities	**(130,447)**	(41,692)
Net current assets/(liabilities)	**(8,126))**	(20,948)
Non-current liabilities	**(164,141)**	(105,391)
Net assets	**59,118**	54,958

Consolidated Cash Flow Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Net cash from/(used in) operating activities	**28,878**	(2,592)
Net cash used in investing activities	**(17,428)**	(97,827)
Net cash (used in)/from financing activities	**(10,132)**	96,155
Cash and cash equivalents at the end of the year/period	**9,831**	7,915

IGas Energy Plc
Non-Consolidated Income Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Loss for the year	**(26,117)**	(8,506)
Other comprehensive income for the year	**-**	-
Total comprehensive loss for the year	**(26,117)**	(8,506)

Non-Consolidated Balance Sheet
As at 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Non-current assets	**217,969**	190,226
Current assets	**162,206**	26,247
Current liabilities	**(179,857)**	(48,899)
Net current liabilities	**(17,651)**	(22,652)
Non-current liabilities	**(94,942)**	(58,596)
Net assets	**105,376**	108,978

Non-Consolidated Cash Flow Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Net cash from/(used in) operating activities	**(4,575)**	(4,786)
Net cash used in investing activities	**(13,941)**	(127,401)
Net cash (used in)/from financing activities	**18,240**	124,058
Cash and cash equivalents at the end of the year/period	**3,596**	3,452

Island Gas Limited
Income Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Revenue	**58,482**	19,894
Gross profit	**29,452**	10,602
Operating profit/(loss)	**25,590**	(8,911)
Finance income	**3**	14
Finance costs	**(13,996)**	(2,368)
Net finance costs	**(13,993)**	(2,354)
Profit/(Loss) on ordinary activities before tax	**11,597**	(11,265)
Income tax (charge)/credit	**(716)**	-
Profit/(Loss) from continuing operations	**10,881**	(11,265)

Balance Sheet
As at 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Non-current assets	**168,654**	155,249
Current assets	**90,128**	16,171
Current liabilities	**(83,424)**	(41,699)
Net current assets/(liabilities)	**6,704**	(25,528)
Non-current liabilities	**(175,195)**	(140,757)
Net assets	**163**	(11,036)

Cash Flow Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Net cash from/(used in) operating activities	**30,129**	(4,377)
Net cash used in investing activities	**(17,421)**	(17,941)
Net cash (used in)/from financing activities	**(6,808)**	13,344
Cash and cash equivalents at the end of the year/period	**6,185**	95

Island Gas Operations Limited
Income Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £	(Audited) 15 months ended 31 March 2012 £
Revenue	**225,888**	150,955
Gross profit	-	-
Operating profit/(loss)	**-**	-

Balance Sheet
As at 31 March 2013

	(Audited) Year ended 31 March 2013 £	(Audited) 15 months ended 31 March 2012 £
Current assets	**106,832**	161,504
Current liabilities	**(112,757)**	(167,429)
Net current liabilities	**(5,925)**	(5,925)
Net Liabilities	**(5,925)**	(5,925)

IGas Exploration UK Limited
Income Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Operating Profit	**-**	1,563
Profit on ordinary activities before taxation	**3,532**	1,983
Tax credit on profit on ordinary activities	**-**	13,870
Profit for the financial year/period	**3,532**	15,853

Balance Sheet
As at 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) 15 months ended 31 March 2012 £000
Current assets	**33,029**	29,478
Net assets	**33,010**	29,478

Star Energy Group Limited
Income Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Revenue	**322**	1,922
Operating profit	**330**	882
Impairment of fixed asset investment	**(214)**	(45,112)
Interest receivable and similar income	**1,116**	1,898
Interest payable and similar charges	**(2,352)**	(5,617)
Loss on ordinary activities before taxation	**(1,120)**	(47,949)
Loss for the year	**(1,120)**	(47,949)

Balance Sheet
As at 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Fixed assets	**60,077**	60,291
Net current assets	**27,137**	26,078
Total assets less current liabilities	**87,214**	86,369
Net liabilities	**(16,864)**	(15,744)

Star Energy Limited
Income Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Revenue	**2,346**	4,032
Administration costs	**(2,995)**	(4,867)
Operating loss	**(611)**	(835)
Loss on sale of fixed assets	**(2)**	(234)
Interest receivable and similar income	**412**	27
Loss on ordinary activities before taxation	**(213)**	(2,085)
Loss for the year	**(213)**	(1,517)

Balance Sheet
As at 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Fixed assets	**219**	354
Current assets	**26,227**	22,999
Creditors: amounts falling due within one year	**(10,963)**	(7,657)
Net current assets	**15,264**	15,342
Total assets less current liabilities	**15,483**	15,696
Net assets	**15,483**	15,696

Star Energy Weald Basin Limited
Income Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Turnover	**26,336**	30,226
Gross profit	**1,849**	9,384
Operating profit/(loss)	**1,863**	(5,260)
Profit/(loss) on ordinary activities before taxation	**3,440**	(5,989)
Retained profit for the financial year	**3,478**	8,644

Balance Sheet
As at 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Fixed assets	**105**	121
Current assets	**68,332**	24,355
Creditors: amounts falling due within one year	**(44,122)**	(3,585)
Net current assets	**24,210**	20,770
Net assets	**24,186**	20,708

Star Energy Oil & Gas Limited
Income Statement
For the year ended 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Turnover	**-**	26,507
Gross profit	**-**	17,651
Operating profit/(loss)	**-**	46,217
Profit on ordinary activities before taxation	**4,260**	46,991
Profit for the financial year	**4,421**	49,063

Balance Sheet
As at 31 March 2013

	(Audited) Year ended 31 March 2013 £000	(Audited) Year ended 31 March 2012 £000
Current assets	**59,583**	55,359
Net current assets/(liabilities)	**56,576**	52,155
Total assets less current liabilities	**56,576**	52,155
Net assets	**56,576**	52,155

Star Energy (East Midlands) Limited
Income Statement
For the year ended 31 March 2013

The company was dormant throughout the year following the transfer of all activity to Star Energy Oil and Gas Limited on 31 March 2011, and accordingly no profit and loss account has been presented.

Balance Sheet
As at 31 March 2013

	(Audited) Year ended 31 March 2013 £	(Audited) Year ended 31 March 2012 £
Current assets	**1**	1
Net current assets	**1**	1
Net assets	**1**	1

Island Gas (Singleton) Limited
Income Statement
For the year ended 31 December 2012

	(Audited) Year ended 31 December 2012 £000	(Audited) Year ended 31 December 2011 £000
Turnover	**10,189**	9,786
Gross profit	**7,198**	7,014
Operating (loss)/profit	**(15,196)**	2,238
Loss on ordinary activities before taxation	**(18,273)**	(3,756)
Loss for the financial year	**(4,428)**	(6,436)

Balance Sheet
As at 31 December 2012

	(Audited) Year ended 31 December 2012 £000	(Audited) Year ended 31 December 2011 £000
Fixed assets	**18,909**	19,320
Current assets	**5,366**	54,375
Net current (liabilities)/assets	**(3,375)**	17,862
Total assets less current liabilities	**15,534**	37,182
Net (liabilities)/assets	**(3,737)**	691

5

PRO FORMA FINANCIAL INFORMATION

PRO FORMA FINANCIAL INFORMATION

During April 2013, the Issuer completed the Refinancing. A pro forma consolidated balance sheet, prepared for illustrative purposes only, is set out below to show the adjustments relating to the completion of the Refinancing: (a) the issue of the Bonds (such securities being described in this Prospectus), and (b) the repayment of the loan to Macquarie and closing out of the hedging arrangements with Macquarie. Completion of the Refinancing occurred in April 2013 and resulted in significant temporary effects on the consolidated balance sheet of the Issuer as at 31 March 2013, which were unwound immediately. Therefore the overall effect of the completion of the Refinancing is that there was no significant change in the financial or trading position of the Issuer since 31 March 2013.

The pro forma financial information has been prepared for illustrative purposes only, and because of its nature, addresses a hypothetical situation and, therefore, does not represent the Issuer's actual financial position or results. The pro forma consolidated balance sheet, including each item of information and adjustment, is contained in note 28 to the audited consolidated financial statements of the Issuer for the financial year ended 31 March 2013, which may be found at Appendix D.

Pro forma Consolidated Balance Sheet
As at 31 March 2013

	Notes	Audited 31 March 2013 £000	Adjustments [A] £000	Adjustments [B] £000	Pro forma 31 March 2013 £000
Non-current assets		231,385	-	-	231,385
Current assets					
Other current assets	1	9,625	-	-	9,625
Cash and cash equivalents		9,831	-	6,240	16,071
Other financial assets – restricted cash		102,865	5,795	(108,660)	-
Current assets		122,321	5,795	(102,420)	25,696
Current liabilities					
Other current liabilities	2	(25,270)	(145)	2,709	(22,706)
Borrowings – Macquarie		(89,710)	-	89,710	-
Borrowings – Bond		(5,466)	(290)	-	(5,756)
Derivative financial instruments		(10,001)	-	10,001	-
		(130,447)	(435)	102,420	(28,462)
Net current liabilities		(8,126)	5,360	-	(2,766)
Total assets less current liabilities		223,259	5,360	-	228,619
Non-current liabilities					
Borrowings - Bond		(94,942)	(5,360)	-	(100,302)
Other non-current liabilities	3	(69,199)	-	-	(69,199)
		(164,141)	(5,360)	-	(169,501)
Net assets		59,118	-	-	59,118
Shareholders' funds		59,118	-	-	59,188

Notes.
1. Other current assets include inventories and trade and other receivables
2. Other current liabilities trade and other payables, current tax liabilities and other liabilities
3. Other non-current liabilities include deferred tax liabilities and provisions

Adjustments:
A. Issue of the Bonds: includes funds received for remaining US$8.8 million of the Bonds issued net of associated fees which were sold in April 2013.
B. Repayment of Macquarie loan and closing out hedges: early cancellation fees, upon completion of conditions precedent to the issue of the Bonds, but excludes interest paid to Macquarie to April 2013.

The pro forma information has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (the "**International Financial Reporting Standards**"), which is consistent with the accounting policies adopted by the Issuer in its audited financial statements for the financial year ended 31 March 2013, which may be found in Appendix D. The report of the Issuer's auditor, Ernst & Young, which may also be found in Appendix D, states that in the auditor's opinion, the pro forma information, which is contained in note 28 to the audited consolidated financial statements of the Issuer for the financial year ended 13 March 2013, has been properly compiled on the basis of the International Financial Reporting Standards and that such basis is consistent with the accounting policies of the Issuer.

6

TAXATION

If you are considering applying for Bonds, it is important that you understand the taxation consequences of investing in the Bonds. You should read this section and discuss the taxation consequences with your tax adviser, financial adviser or other professional adviser before deciding whether to invest.

TAXATION

The summary set out below describes certain taxation matters of the United Kingdom based on the Issuer's understanding of current law and practice in the United Kingdom as of the date of this Prospectus, both of which are subject to change, possibly with retrospective effect. The summary is intended as a general guide only and is not intended to be, nor should it be construed to be, legal or tax advice. The summary assumes that the Finance Bill, as printed on 28 March 2013, will be enacted without amendment.

The summary set out below applies only to persons who are the absolute beneficial owners of Bonds who hold their Bonds as investments and (save where it is explicitly stated otherwise) who are resident and (in the case of individuals) domiciled for tax purposes in the United Kingdom. In particular, Bondholders holding their Bonds via a depositary receipt system or clearance service should note that they may not always be the beneficial owners thereof. Some aspects do not apply to certain classes of person (such as dealers, certain professional investors and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may therefore differ to that set out below or may be subject to change in the future.

If you may be subject to tax in a jurisdiction other than the United Kingdom or are unsure as to your tax position, you should seek your own professional advice. This summary only deals with the matters expressly set out below.

6.1 Interest on the Bonds

Withholding tax on the Bonds

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "**ITA**"). Oslo Børs and the Nordic ABM are each a recognised stock exchange for these purposes. Provided, therefore, that the Bonds retain a listing on one of these exchanges, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

Where the Bonds cease to be listed on any recognised stock exchange, interest on the Bonds may be paid without withholding or deduction on account of United Kingdom tax where (a) interest on the Bonds is paid by a company and, at the time the payment is made, the Issuer reasonably believes that the person beneficially entitled to the interest is: (i) a company resident in the United Kingdom; or (ii) a company not resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account the interest in computing its United Kingdom taxable profits; or (iii) a partnership each member of which is a company referred to in (i) or (ii) above or a combination of companies referred to in (i) or (ii) above, provided that HM Revenue & Customs ("**HMRC**") has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that one of the above exemptions is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax, or (b) the Issuer has received a direction permitting payment without withholding or deduction from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

In other cases, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.). If interest were paid under deduction of United Kingdom income tax, Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable tax treaty.

Provision of information and Savings Directive (2003/48/EC)

Bondholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including details of the beneficial owners of the Bonds (or the persons for whom the Bonds are held) or the persons to whom payments derived from the Bonds are or may be paid and information and documents in connection with transactions relating to the Bonds) from, amongst others, the holders of the Bonds, persons by (or via) whom payments derived from the Bonds are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Bonds on behalf of others and certain registrars or administrators. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Bondholder is resident for tax purposes.

Under the Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other Member State or to (or for the benefit of) certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

6.2 Further United Kingdom income tax issues

Interest on the Bonds constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding, irrespective of the residence of the Bondholder

However, interest with a United Kingdom source properly received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Bondholder (other than certain Bond Trustees) who is not resident for tax purposes in the United Kingdom unless that Bondholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable (and where that Bondholder is a company, unless that Bondholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Bonds are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Bondholders.

Bondholders should note that the Issuer will not be required to pay any additional amounts (as referred to in Appendix B (Terms and Conditions of the Bonds – Taxation) in respect of Taxes that HMRC may seek to directly assess on any person as a result of their entitlement to receive interest on the Bonds.

6.3 United Kingdom corporation tax payers

In general, Bondholders which are within the charge to United Kingdom corporation tax (including non-resident Bondholders whose Bonds are used, held or acquired for the purposes of trade carried on in the United Kingdom through a permanent establishment) will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

6.4 Other United Kingdom tax payers

Interest

Bondholders who are either individuals or Bond Trustees and are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable will generally be liable to United Kingdom tax on the amount of any interest received in respect of the Bonds.

Transfer (including redemption)

For Bondholders who are individuals, the Bonds will constitute “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by such a Bondholder of a Bond will not give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains.

Accrued income scheme

On a disposal of Bonds by a Bondholder who is an individual, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the ITA, if that Bondholder is resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable.

Stamp duty and Stamp Duty Reserve Tax.

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer by delivery of the Bonds or on their redemption.

Inheritance tax

Provided that the relevant Bonds are physically held outside the United Kingdom at the time of death or when a gift is made, no inheritance tax is charged on such death or gift if the Bondholder is neither domiciled, nor deemed to be domiciled, in the United Kingdom. Where the Bonds are held in a clearing system, HMRC is known to consider that the situs of the relevant assets is not necessarily determined by the place where the Bonds are physically held.

Prospective Bondholders to whom this may be of significance are asked to consult their own professional advisers.

6.5 Norway

There are no applicable laws relating to withholding tax in Norway relevant to the Bonds as at the date of this Prospectus.

7

DESCRIPTION OF IGAS AND THE GROUP

This section sets out information about IGas and the Group.

DESCRIPTION OF IGAS AND THE GROUP

7.1 Overview

The Issuer is an independent energy company listed on the Alternative Investment Market ("**AIM**") of the London Stock Exchange and is the holding company of the Group. The Group is engaged in the exploration, development and production of crude oil and natural gas. The Group's fields and reserves are located in onshore Britain covering the UK's East Midlands and Weald Basin areas, and extensive acreage in the North West and Staffordshire areas of England and North Wales. The Group possesses a portfolio of assets categorised as either conventional or unconventional, ranging from mature discoveries made more than 50 years ago to unconventional resources including shale gas and CBM, only now potentially recoverable as a result of technical advances in oil field practices. The Group is a leading UK onshore oil and gas business with predominantly 100 per cent. owned and operated production and resources.

The legal and commercial name of the Issuer is IGas Energy plc. IGas is registered and domiciled in England and Wales, having been incorporated on 1 December 2003 under the Companies Act 1985 as a public company limited by shares with registered number 04981279.

The principal legislation under which the Issuer operates is the Companies Act 2006 (as amended) and regulations made thereunder.

Each of the Issuer's and Guarantors' registered office is at 7 Down Street, London W1J 8AJ and its telephone number is 0207 993 9899.

The Issuer is a holding company and directly or indirectly owns 100 per cent. of the share capital of the subsidiaries in the Group. IGas holds 100% of the issued shares of Island Gas Limited, Island Gas Operations Limited, IGas Exploration UK Limited and Star Energy Group Limited. Island Gas Limited holds 100% of the issued shares of Island Gas (Singleton) Limited. Star Energy Group Limited holds 100% of the issued shares of Star Energy Limited, Star Energy Weald Basin Limited and Star Energy Oil & Gas Limited. Star Energy Weald Basin Limited holds 100% of the issued shares of Star Energy Oil UK Limited. Star Energy Oil & Gas Limited holds 100% of the issued shares of Star Energy (East Midlands) Limited. The Group's exploration, production, investment and development operations are conducted through Island Gas Limited, IGas Exploration UK Limited and Island Gas (Singleton) Limited. This means that the Issuer's performance is dependent on the performance of Island Gas Limited, IGas Exploration UK Limited and Island Gas (Singleton) Limited as its principal source of funds is distributions from these members of the Group.

From incorporation until March 2011, the Issuer's main activities were participating as a non-operated partner in the appraisal of unconventional prospects. In March 2011 the Issuer acquired Nexen Petroleum UK Limited and became an operating group upon completion of the acquisition of a group of companies including Star Energy Group Limited in December 2011. In February 2013, the Issuer became the indirect holding company of Island Gas (Singleton) Limited (formerly P.R. Singleton Limited).

The Group's exploration, drilling and production of oil and gas operations are carried out by Island Gas Limited, IGas Exploration UK Limited and Island Gas (Singleton) Limited. Island Gas Operations Limited purchases gas from Island Gas Limited and uses its own generator to turn this gas into electricity for sale to third parties. Star Energy Group Limited, Star Energy Oil & Gas Limited and Star Energy Limited are intermediate holding companies of the Group and provide management services to its subsidiaries. Star Energy Weald Basin Limited acts as an agent and sells oil on behalf of third parties and other Group companies. Star Energy (East Midlands) Limited is dormant and does not provide any intragroup services. The Issuer provides the Group with its overall head office function.

As at the date of this document, the issuer has 10 subsidiaries of which all, apart from Star Energy Oil UK Limited, are Guarantors.

Legal and Commercial Name	Date of incorporation	Country of incorporation	Interest (%)
Island Gas Limited	12 November 2003	England	100
Island Gas Operations Limited	22 May 2000	England	100
IGas Exploration UK Limited	16 November 2001	England	100
Star Energy Group Limited	24 February 2004	England	100
Star Energy Limited*	14 July 1999	England	100
Star Energy Weald Basin Limited	26 June 2007	England	100
Star Energy Oil & Gas Limited	7 July 1988	England	100
Star Energy Oil UK Limited	25 February 1981	Scotland	100
Star Energy (East Midlands) Limited	6 April 2000	England	100
Island Gas (Singleton) Limited	16 August 1971	England	100

*Star Energy Limited currently holds a 33 per cent. share interest in Larchford Limited (SC295055). Larchford Limited does not form part of the Group as it is not directed by the Group's Directors and Star Energy Limited is merely a shareholder. Larchford Limited is currently being wound up (pursuant to a Court Order dated 11 April 2012).

The Guarantors, as set out below, are all private limited companies incorporated, registered and domiciled in England and Wales, and each operates under the Companies Act 2006 (as amended).

Name	Registered Number
Island Gas Limited	04962079
Island Gas Operations Limited	03999194
IGas Exploration UK Limited	04323945
Star Energy Group Limited	05054503
Star Energy Limited	03806814
Star Energy Weald Basin Limited	06293763
Star Energy Oil & Gas Limited	02275006
Star Energy (East Midlands) Limited	03966330
Island Gas (Singleton) Limited	01021095

In relation to joint ventures which the Group has with other non-Group companies, the Group currently shares ownership of certain licences with non-Group companies as follows:

Licence	Block	Group percentage (%) ownership	Counter-party Group	Counter-party Group percentage (%) ownership
PEDL 233	SU/91a	50	Northern Petroleum Plc	50
PEDL 70	SU/52a	50	Aurora Petroleum Limited	8.33
			Corfe Energy	10
			Egdon Resources	26.67
			Northern Petroleum Plc	5
PL211	SU/61c	90	Northern Petroleum Plc	10

PL211	SU/71c	90	Northern Petroleum Plc	10

In relation to each of the licences shown in the table above, a Group company is the Operator of the licence and in each case the Group has entered into a joint operating agreement with the counter-party group governing the extraction of resources and powers of the Operator.

7.2 Strategy

The following are what IGas consider the key points of the Group's corporate strategy as at the date of this Prospectus:

Increase and exploit current reserves – A key priority for the Group is to maximise and grow the Group's production of its mature conventional assets in the Weald Basin and East Midland areas. Despite the maturity of these fields the Issuer believes there is further upside potential for reserves growth and incremental production. To unlock this potential, the Issuer launched a "chase the barrels" initiative in 2012 to identify opportunities for increasing production and up time and reducing lifting costs on the producing assets. An early example of the "chase the barrels" initiative involved the installation of rod pump controllers to reduce wear and the need for workovers on the beam pumps. This reduced power costs and extended the rod life and hence improved effective pump performance. Further installation of remote monitoring and energy management arrangements are also being considered to reduce operating expenditure. The Group may also carry out possible further tests in the Weald Basin area to assess the commerciality of re-instating previously shut down wells.

In addition, the Group has several stranded gas opportunities that it may seek to unlock and bring on-stream. These are gas accumulations that were previously undeveloped because there was no viable export route (did not exist or too expensive) or the technology at the time was inadequate. These stranded gas resources are now attractive development options that can be monetised utilising modern technology. For example, at the Albury site in the Weald Basin, following a successful production test where gas was shown to flow at commercial rates, an application has been made for planning permission to install export equipment. Also in the Weald Basin (at the Bletchingley site) an extended well test of the Bletchingley-2 well which flowed at up to 4.4 MMscf/d (million standard cubic feet per day) (ca. 750 boepd (barrels of oil equivalent per day)) has identified this accumulation as a future gas monetisation project which will be progressed in 2013 and onwards.

Maintain a high level of operational control – The Group currently has 172 employees and has its own well services division which includes 3 workover rigs, 1 hot flush rig, 4 pump tracks and 6 road tanker tractor units, and significant oil storage and bunkering including 2 rails heads. Accordingly, the policy and continued plan is to maintain a high level of operational control over the assets, continued exploration and development and to further exploit the operational and logistical synergies (including access to equipment and supply chain synergies). The Group's production division has recently been awarded a Royal Society for the Prevention of Accidents Gold Medal Award (which complements the 6 awards previously awarded to the Group) and has attained ISO 9001 and ISO 14001 certification.

Responsibility to the community – Corporate Social Responsibility (CSR) is an important part of the Group's strategy to be a responsible and integral part of the communities within which it works. In addition to fulfiling the regulatory requirements the Group also has an active community engagement programme. Typical examples of such engagement include visits for the local village primary school to one of its sites, financial donations to community projects repairs to local swimming pool, support for a primary school greenhouse allotment and landscaping to local parks.

Investment in unconventional assets – The Group intends to further appraise its unconventional resources. A two well shale appraisal programme, including comprehensive data collection (core/logs etc.) and a potential subsequent flow test of a well, is expected to cost up to £15 million. Please see paragraph 7.4 below. This investment will be funded from working capital.

Take advantage of accretive acquisition opportunities – The Group will continually seek out and assess potentially accretive UK based acquisition opportunities which will help increase the Group's production and conventional and unconventional asset base in line with the Group's strategy and "chase the barrels" initiative.

Investments since 31 March 2013 – On 28 February 2013, IGas completed the PR Acquisition. See 3.2 of Material contracts relating to IGas and/or the Group, below.

7.3 Conventional Resources

The Group's conventional resources include 28 oil and gas fields in the Weald Basin and East Midlands areas of the UK.

The Weald Basin is located onshore in southern England, north of the Isle of Wight, and is the source of approximately 50 per cent. of the Group's current production. The area under licence is inclusive of 11 fields within which there are 18 production sites. The Group owns a 100 per cent. interest in all but three of the licences held covering this area. Oil is collected by tanker from sites and is transported to the Group's processing facility at Holybourne which has storage for 20,000 barrels and a rail terminal. The Group also transports and stores oil from other operators in the area, providing a further revenue stream.

The East Midlands area stretches from the East Midlands Shelf to the Gainsborough Trough and the Widmerpool Gulf. Hydrocarbons have been produced in this area since 1959 and current production from this area accounts for approximately 50 per cent. of the Group's total current production. The area consists of 17 oil fields and 80 sites. The East Midlands area is comprised of two primary production centres: Welton and Gainsborough/Beckingham. The Welton area is made up of six fields and a gathering centre where the produced oil, gas and water are separated. The produced oil is transported to Conoco Immingham via road tanker; gas is used for power generation; and produced water is pumped for reinjection. The Gainsborough/Beckingham area is made up of 11 fields and a processing facility.

Together the Weald Basin and East Midlands fields have produced approximately 60 million barrels of oil to date.

Senergy (GB) Limited ("**Senergy**") assessed all of the Group's conventional reserves (except for Island Gas (Singleton) Limited's reserves as discussed below) as at 1 July 2012 in the CPR prepared by Senergy updated to December 2012 (the "**Senergy 2012 CPR**"), a summary of which is set out below, together with the Netherland, Sewell & Associates, Inc. ("**NSAI**") figures as prepared on behalf of Island Gas (Singleton) Limited (previously named PR Singleton Limited) dated June 2012 ("**NSAI CPR**") and the RPS Energy Limited ("**RPS Energy**") figures for Baxter's Copse prepared on behalf of Northern Petroleum Plc dated February 2010 ("**RPS Energy CPR**"). The figures below have been extracted by the Issuer from the material results of the respective CPRs without material adjustment.

The cumulative production figures for the period 1 July 2012 to 31 July 2013 have been prepared by the Issuer in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and Petroleum Resources Management System (sponsored by the Society of Petroleum Engineers, American Association of Petroleum Engineers Geologists, World Petroleum Council and the Society of Petroleum Evaluation Engineers) (the "**Standards**").

Asset	**Proved (1P)**	**Proved plus probable (2P)**	**Proved plus Probable plus possible (3P)**	
IGas[1]	7.9	11.4	15.2	Mmboe[5]
Island Gas (Singleton) Limited[2]	3.9	5.4	5.4	Mmboe
Baxters Copse[3]	0.4	2.7	7.5	Mmboe
Total (30 June 2012)	12.2	19.5	28.1	Mmboe
Cumulative Production 1 July 2012 – 31 July 2013	(1.1)	(1.1)	(1.1)	MMboe
Total 31 July 2013[4]	11.1	18.4	27.0	MMboe

[1] Senergy 2012 CPR

[2] NSAI CPR, June 2012 for Island Gas (Singleton) Limited

[3] Baxters Copse was part of the acquisition of Island Gas (Singleton) Limited. The reserves quoted are as per the RPS Energy CPR

[4] The 31 July 2013 figures are based on the Senergy 2011 CPR (as defined in paragraph 7.4 below) and the NSAI CPR values less the cumulative production from 1 July 2012 through to 31 July 2013

[5] Million Barrels of Oil Equivalent

The Group confirms that there has been no material change since the date of the Senergy 2012 CPR other than the normal cumulative production by the Group in the course of its ordinary business activities from 1 July 2012 to 31 July 2013 of ca. 0.891 MMboe. This update has been reviewed by the Issuer in accordance with the Standards.

The Group confirms that there has been no material change since the date of the NSAI CPR other than the normal cumulative production by the Group in the course of its ordinary business activities from 1 July 2012 to 31 July 2013 of ca. 0.192 MMboe. This update has been reviewed by the Issuer in accordance with the Standards.

The Group confirms that there has been no material change since the date of the RPS Energy CPR as there has been no production from the Baxter's Copse fields since the RPS Energy CPR. This update has been reviewed by the Issuer in accordance with the Standards.

The wells as set out below are currently producing and the Group confirms that there have been no exceptional factors which have influenced their operations.

The anticipated exploration potential of commercial activities in extracting reserves is a combination of enhancing recovery from existing fields through various initiatives, future potential exploration activity e.g. Godley Bridge PEDL 235, at which site the Group is currently identifying potential site locations and expects to drill an appraisal well in 2014-2015, Albury development DL04 at which site the Group has obtained planning consent to develop the field using mini LNG technology (a natural gas liquefaction technology) and is currently developing a development plan for the site which will be submitted and agreed with the DECC and Bletchingley ML18 and 21 at which site the Group has tested so as to confirm commercial flow rates and is now evaluating its potential development options including gas-to-wire or mini LNG.

7.4 Unconventional Resources

The Group's shale gas and CBM assets are in nine onshore licences and one offshore licence located in the counties of Cheshire, Flintshire and Staffordshire. The total area currently under licence in this area is 1,252 km^2 (approximately 310,000 acres), with the Group owning 100 per cent. of the working interest in all of the licences.

The resource volumes attributable to all of the Group's unconventional resources (CBM only) were assessed by Senergy in the CPR that Senergy prepared for the Issuer dated June 2011 ("**Senergy 2011 CPR**"). The figures below have been extracted by the Issuer from the material results of the respective CPRs without material adjustment.

Asset	**Proved (1C)**	**Proved plus probable (2C)**	**Proved plus Probable plus possible (3C)**	
IGas Unconventional Resource – note these refer purely to the CBM resources	242	312	412	Mmboe

The Group confirms that there has been no material change since the date of the Senergy 2011 CPR as the Group's unconventional resources have not yet been exploited. This update has been reviewed by the Issuer in accordance with the Standards and accordingly no reserves have been included within the Group's reserves as shale gas is neither a resource nor a reserve. The Group confirms that there have been no exceptional factors which would have influenced these assets.

With regards to the Issuer's shale gas assets, the Group has constructed a site and expects to commence drilling in the fourth quarter of 2013. Following completion of the Ince Marshes-1 test well (at the Ellesmere site), the Group conducted an extensive evaluation programme of the shale potential in their North West licences. This work has involved detailed seismic analysis, including reprocessing many kilometers of existing 2‑D seismic, biostrat and chemostrat studies, basin modeling as well as extensive petrophysical and geomechanical studies using data from existing wells across the North West. Using the geological model constructed by the Issuer's technical team, this data has been analysed by the Issuer to review the reservoir characteristics of the shale formations, including the thickness of the shale. Based on this model, the Issuer believes that the volume of Gas Initially In‑Place ("**GIIP**") associated with the shales in the North West, including the Bowland Shale is likely to be ca. 102.0 Tcf (Trillion cubic feet), but could be as low as 15.1 Tcf. These figures cover an area of 300 square miles giving an average mid case GIIP volume of ca. 340 Bcf (Billion cubic feet)/square mile with a range of 93 Bcf/square mile to 677 Bcf/square mile across the IGas North West acreage. Subject to well results, first production would be scheduled to occur in 2017 or 2018.

The Group will commence an exploratory drilling programme later in the year (in Q4 of 2013), in the North West at the Barton Moss Road site (near Eccles and Irlam), which will help to further refine these figures and advance their review of the potential shale gas assets and their understanding of the shale basin in the North West. The drilling programme at the Barton Moss Road site (near Eccles and Irlam) would take between eight and twelve weeks once commenced. Fracking will not be used in the process. Items which take longer to be prepared and delivered by suppliers, such as wellheads and casings, have been ordered and negotiations with drilling and related service companies have been concluded. Background monitoring and base line surveys in advance of drilling have commenced. The Group will also, in the medium term, carry out further analysis and reinterpretation of existing seismic and subsurface data to evaluate the potential shale resources in the East Midlands and Weald Basin licence areas. The Group currently has no planning permissions or consents in place and because the Group's current exploratory assessment of the viability of extracting these resources is still ongoing, it is unlikely that the Group will make applications for and obtain such permissions or consents within the next 12 months.

Licences – Conventional Assets

The Group's fields are located onshore UK. The table below provides the licence numbers and relevant fields held by the Group and sets out the duration of each licence.

Licence	Fields	Expiry	Expected Life of the Field	Average actual monthly production Bopd for the period from 1 July 2012 – 31 July 2013
EAST MIDLANDS				
PL179	East Glentworth	November 2014	2026	37
PL 179—2	Welton	November 2014	2039	638
PL179-2	Scampton & Scampton North	November 2014	2035/2024	128
PL179-2	Stainton	November 2014	2024	10
PL179-2	Nettleham	November 2014	2013*	3*
PEDLOO6	Cold Hanworth	04/04/2027	2023	91
ML004-1/2	Gainsborough/Beckingham	31/03/2015	2032	183
ML004-3	Corringham/Glentworth	31/03/2015	2045	151
PL220-1	Long Clawson	08/08/2016	2045	73
PL220-2	Rempstone	08/08/2016	2039	10
ML006	Bothamsall	31/03/2015	2045	34

Licence	Fields	Expiry	Expected Life of the Field	Average actual monthly production Bopd for the period from 1 July 2012 – 31 July 2013
ML003	Egmanton	30/12/2033	2013	6*
ML007	South Leverton	31/03/2015	2013	4*
PEDL 235	Godley Bridge	01/07/2039	(Not drilled)	(Not drilled)
PL 178	West Beckingham	17/11/2014	2032	13
PL 199	Near Nettleham	November 2015	2013	(Not producing)
AL 009	Dunholme	07/04/2025	(Not producing)	(Not producing)
WEALD				
DLOO4	Albury	16/11/2013	2030	(Not producing)
PL205	Storrington	14/02/2016	2014	40
PL182	Palmers Wood	17/11/2014	2019	63
PL211	Horndean	04/04/2016	2042	150
PL233	Stockbridge	27/10/2017	2045	259
PL249	Stockbridge	01/12/2017	2045	16
DLOO2	Stockbridge	31/12/2019	2045	104
PEDL021	Goodworth	04/04/2027	2045	22
PEDL070	Avington	08/09/2031	2020	75
ML 018	Bletchingly[1]	11/01/2017	2030	168
ML 021	Bletchingly[1]	01/04/2017	2030	(As above)
PEDL 235	Godley Bridge	August 2014 Drill or Drop	(Not drilled)	(Not drilled)
SINGLETON				
PL240	SU/81B & SU/91b	02/12/2017	2026	458
PEDL233	SU91a	01/07/2039 – Current Term (1st) July 2014 Drill or Drop	(Not drilled)	(Not drilled)
1 The average monthly production figures for Bletchingly ML018 and ML021 are aggregate figures produced under both licences.				

For those licences whose term is due to expire in the next 12 months, the Group intends to comply with its obligations under the relevant licence and has made or will make application to DECC to renew such licence into its next term. For the mature producing fields whose licence term is nearing the end of the original licence term (i.e. those licences whose expiry date is within one year) the Group will seek extensions or has already made applications to extend the licence term accordingly. The Senergy 2012

CPR did not discount reserves to such licences. DECC has historically extended the licence term of producing fields to the existing operator provided that the field continues in production, and as all of the Group's fields are currently producing (and a number of the licences will expire before the expected end of economic field life), the licences will be extended in line with the Secretary of State's stated policy and practice designed to maximise production from producing fields.

The expected life of the fields was assessed in the Senergy 2012 CPR, the NSAI CPR and the RPS Energy CPR. The Issuer confirms that there have been events since the dates of those CPRs that would affect the expected life of the fields, and the information above reflects the current life of the fields under the Group's current operations. Those fields marked with an asterix (*) or classified as not producing are mature fields in the last stages of depletion. The Group is currently assessing the economic viability of extending the lives of these fields, and exploring the fields' medium to long term production potential. Various surveys are currently being carried out by the Group in this respect.

Two of the fields have not yet been drilled. As discussed above at paragraph 7.3, the Group is currently reviewing the exploration potential of commercial activities in respect of the Godley Bridge field.

The net average monthly production figures were compiled by the Issuer using actual production data received from the fields on a daily basis for the period from 1 July 2012 to 31 July 2013 and averaged on a monthly basis for that period, calculated prior to sales reconciliations and in accordance with good oilfield practice as set out by DECC in its measurement guidelines. DECC's Petroleum Measurement & Allocation Team is responsible for ensuring that UK licensees continue to follow 'good oilfield practice' in the measurement of all petroleum won and saved from licensed areas in the UK and on the UK Continental Shelf and the Group adheres to these requirements.

The licences held by the Group's licence holders have been granted on standard terms, and a summary of the main terms is contained below:

The Petroleum Exploration and Development Licence (PEDL)

Since 1996, all modern production licences (including PEDLs) run for the following 3 successive periods (terms):

- Initial term – may continue into a second term if the agreed work programme has been completed and a minimum amount of acreage has been relinquished;

- Second term – may continue into a third term if a development plan has been approved and all acreage outside the development has been relinquished; and

- Third term – runs for an extended period to allow production.

Under a PEDL, the initial term lasts for six years, the second term lasts for five years and the third term lasts for 20 years. To progress to the third term, applicants must prove technical, environmental and financial capacity to DECC. The mandatory relinquishment at the end of the initial term is 50 per cent.

The licence conveys a right upon holder(s) to search and bore for and to get petroleum in the licensed area. Payments under the licence are contained at Schedule 2 to the licence and are made to DECC in consideration of the grant and continuance of the licence by DECC. The licence contains obligations on the licence holder to, amongst other things, (a) use methods of measurement of petroleum from the licensed area as from time to time approved by DECC, (b) keep accounts of (i) the quantity of petroleum recovered, in gas or otherwise, and (ii) the name of persons to whom petroleum is supplied and quantity etc. of the same, and (c) keep accurate records of drilling, deepening, plugging or abandonment of all wells and of any alterations in the casing thereof, including certain prescribed particulars of the same (as set out in more detail in the licence).

During the initial term, the licence holder must comply with a work programme which is scheduled to the licence and is the programme of exploration activity that DECC and licence holder will have agreed as part of the licence application process. The licence holder must comply with certain conditions when proposing or conducting seismic surveys. DECC may serve notice on the licence holder requiring it to submit a programme for exploration in the licensed area. All relevant works relating to petroleum from the licensed area must be conducted pursuant to a programme approved by DECC.

Commencement of drilling of wells and abandonment of wells requires the consent in writing of DECC. Any plugging of wells must be done in accordance with a specification approved by DECC and carried out in an efficient and workmanlike manner. Wells must be plugged and sealed at least one month prior to the expiry of the licence holder's rights to the licensed area (or as soon as reasonably practicable in the case of a revocation of licence).

The licence holder indemnifies DECC against all actions, proceedings, costs, charges, claims and demands whatsoever which may be made or brought against DECC by any third party in relation to the licence.

The licence or interest therein may only be assigned with the consent of DECC. Agreements for the sale of petroleum from the licensed area require the consent of DECC unless (a) the sale is for a price payable after the petroleum is won and saved, or (b) the agreement is to provide the petroleum in exchange for petroleum recovered other than from the licensed area.

DECC may revoke the licence if (a) payments due under the licence are in arrears for two months, (b) the licence holder breaches or fails to observe the licence conditions, (c) an insolvency or bankruptcy event of the licence holder occurs (including the making of an arrangement with creditors), (d) a change of control of operations under the licence, or commercial activities in connection with those operations, occurs (e) a change of control of the licence holder occurs, or (f) the licence holder fails to comply with a notice of change served by DECC.

Development Licence (DL)

DL's are granted on essentially the same main terms as a PEDL (as described above) except that under a DL, the term lasts for 20 years.

Seaward Production Licence (PL)

PL's are granted on essentially the same main terms as a PEDL (as described above) except that under a PL, the initial term lasts for four years following which the term can be extended for 18 or 20 years. The third term may be extended by the Secretary of State, however DECC reserves the right to reconsider provisions of the licence prior to any extension, in particular with regard to the acreage and rentals.

Mining Licence (ML)

MLs are the oldest type of licence issued by DECC (or its statutory predecessor) and allow the licence holder to search for, bore for and get petroleum within a licensed area. MLs are granted on essentially the same main terms as a PEDL (as described above) except that the initial term of a ML is 50 years and the second term is 25 years, and that an assignment of a ML may only be made to a company incorporated in Great Britain or Northern Ireland and only with the consent of DECC. To progress to the second term, the licence holder must give DECC 12 months' notice of the renewal in writing.

Appraisal Licence (AL)

ALs are granted on essentially the same terms as a PEDL (as described above) except that the initial term of an AL is 5 years following which the term can be extended at the discretion of DECC, and that an AL is granted for the purpose of allowing the licensee time to appraise any discovery of petroleum and, if appropriate, prepare a development programme and gain long term planning permission. The Group only holds one AL which is AL009 in respect of the Dunholme field. In this case the licensee satisfied the necessary conditions such that the term was extended by DECC until 7 April 2025.

Legal, economic and environmental conditions

The Group confirms that:

- there are no material legal conditions save for those whose main terms are set out above;
- no economic conditions have been placed on the licences save for capital requirements (which apply to all such licences) in relation to the implementation of agreed work programme with DECC including carrying out seismic surveys and drilling wells. Each of the licence holders in the Group

adheres to the agreed work programmes and have paid all annual charges (also known as rentals) on each of the licences and each of the licenceholders in the Group adheres to agreed work programmes;

- no material environmental conditions for exploring and developing the licences have been imposed on the licences save for standard obligations to comply with environmental and planning laws. The licence holders have obtained all necessary and requisite planning permissions and consents for current operations; and

- all licences have been granted on the standard format as specified by DECC.

6.5 Financial condition

In January 2013, IGas raised gross proceeds of £23.1 million by issuing 24.3 million shares at 95p, representing approximately 15 per cent. of the enlarged issued ordinary share capital of IGas. The placing followed the developments in the United Kingdom with the lifting of restrictions on exploitation of shale gas announced by the government on 13 December 2012 and the establishment of the government's Office of Unconventional Gas and Oil. IGas believed it appropriate to ensure that IGas was able to further demonstrate the significant potential of its unconventional resource base prior to any farm out. The equity fundraising also brought in a number of new institutional investors to IGas' shareholder register.

IGas completed the PR Acquisition on 28 February 2013 following fulfilment of the conditions precedent and approval of the change in control from DECC.

The acquisition of PR Singleton Limited (now Island Gas (Singleton) Limited ("**PR Singleton**")) gave IGas a material increase in reserves and production and was an important element in the overall refinancing of the Group and the issue of the Bonds, which was announced on 14 March 2013. During April 2013, following satisfaction of all conditions precedent under the Bond Agreement, IGas drew down US$165,000,000 from escrow. Of the proceeds of the offer, US$136.225 million was used to pay outstanding principal on the loan outstanding to Macquarie and US$0.462 million was used to repay interest up to 10 April 2013. The settlement of the Group's oil hedges (including payment in relation to the amount accrued in March 2013) amounted to US$15.061 million and US$1.182 million was used to settle the Group's interest rate swaps (including payment in relation to the amount accrued in March 2013). Fees and expenses relating to the repayment of the loan facilities and the settlement of the hedges amounted to US$3.097 million. The balance of the proceeds amounted to US$8.973 million which was used to fund working capital requirements of the Group (being an overall proportion of approximately 5 per cent. of the total proceeds from the offer of the Bonds).

The Group entered into a heads of agreement ("**HOA**") with Caithness Petroleum Limited ("**Caithness**") , a privately-owned, British independent oil and gas exploration and production company, to acquire Caithness Oil Limited ("**Caithness Oil**") , its UK subsidiary, for a total consideration of £8.95million to be satisfied through the allotment of 7,789,382 IGas ordinary shares.

Under the terms of the HOA, IGas will acquire 100% interests in the licences, located in the northern coastal area of the Inner Moray Firth, in which Caithness has an interest, including the Lybster field, following settlement of obligations, prior to completion, under an existing agreement between the Caithness group and Trap Oil Group plc group of companies. The Lybster Field was discovered in 1996 by Premier Oil at well 11/24-1 which tested 36 "**API**" (density measure in degrees of a liquid hydrocarbon (crude oil of condensate) which is inversely proportional to its specific gravity, i.e., the higher the API Gravity, the lower the Specific Gravity and vice versa) oil at over 2,000 barrels of oil per day ("**bopd**"" from the Beatrice Formation. The field was put into production in May 2012 and, prior to being temporarily shut-in in August 2013 for a routine workover, was producing approximately 200bopd gross and in excess of 2mscf/d of associated gas. The oil (when the field was in production) was transported and sold to facilities at Nigg. The field is currently shut-in again. Upon completion, the Group intends to carry out a workover to restore production of the well within three months of completion. Following the workover, the Group intends to put the well back into production and assess and monitor production levels against a decline analysis on a daily basis.

In addition to increasing IGas' current production, the acquisition would offer additional upside through utilisation of significant existing tax losses and monetisation of associated gas. The acquisition is conditional upon receipt of the requisite third party and DECC consents, completion of confirmatory due diligence and the execution of a definitive sale and purchase agreement in due course. DECC consents concerned are confirmations of no objection to a notification of a proposed change of control of a licence holder and/or operator of the relevant licences.

Notification of the resultant change of control of Caithness to DECC will be made upon the execution of a definitive acquisition agreement and completion will be conditional upon the receipt of such confirmations from DECC. DECC's usual policy is to provide such a no objection to change of control confirmation within 30 calendar days of receipt of notification of the proposed change of control. DECC's policy requirements in this regard is that the licensee can demonstrate that the change of control will not prejudice the licensee's ability to meet its licence commitment, liabilities and obligations. The acquisition is anticipated to complete at the end of October 2013 (provided confirmations have been obtained).

Income[1]

The Group recorded revenues of £68.3 million in the year (2012: £22.1 million).The Group completed the acquisition of PR Singleton on 28 February 2013 and therefore the income statement includes one month's contribution from Island Gas (Singleton) Limited (previously PR Singleton Limited) in these results.

Group production in the year was 901,540boe (barrel of oil per equivalent), representing an average of 2,470boepd (2012: 2,615boepd).

The average realised price per barrel pre-hedge was £69.4 (US$109.6) (2012: £73.4 (US$117.0)) with narrow discounts to Brent continuing to be achieved. After taking into account the cash effect of hedging, which amounted to an average of £6.9 (US$10.9) per barrel, the average realised oil price was £62.5 (US$98.7) (2012: £65.1 (US$103.2)) per barrel.

Cost of sales of £38.0 million (2012: £12.0 million), includes depreciation, depletion and amortisation ("**D,D&A**") of £10.0 million (2012: £3.2 million) and operating costs of £28.1 million (2012: £8.8 million) including £7.0 million in relation to third party oil (2012: £1.8 million). Operating costs per barrel of oil equivalent were £21.6 (2012: £19.9), excluding the third party costs. These costs include transportation costs of £3.15/boe (2012: £3.30/boe) and the costs of our well service team of £2.89/boe (2012: £2.64/boe).

Administrative expenses were £8.4 million (2012: £5.0 million). A charge for the impairment of exploration and evaluation of assets of £1.1 million (2012: £0.0 million) was incurred during the year following the relinquishment of Petroleum Exploration and Development Licence (PEDL) 115, an exploration licence in Staffordshire. Profit on oil price swaps was £0.9 million (2012: loss £18.5 million).

Other income amounted to £0.2 million (2012: £0.2 million). Net finance costs amounted to £27.9 million (2012: £1.7 million) including £9.2 million of interest (2012: £3.2 million), net foreign exchange losses of £3.3 million (2012: gain £0.3 million), loss on re-valuation of warrants £5.4 million (2012: gain £1.7 million), early settlement fees in relation to the loan assumed in the PR Acquisition of £1.4 million (2012: £nil) and unamortised Macquarie debt costs written off of £7.6 million (2012: £nil). Net finance costs[2] excluding 'one-off' costs amounted to £12.9 million (2012: £2.7 million).

Gross profit of £30.3 million was recognised in the year (2012: £10.1 million) with underlying profit[3] of £22.1 million (2012: £5.4 million).

Cash Flow

Cash generated from operating activities in the period amounted to £28.9 million (2012: cash used £2.6 million).

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1 On 28 February 2013, IGas completed the PR Acquisition and therefore the 2013 results reflect one month's contribution from PR Singleton. The figures for 2012 reflect the 15 month period to 31 March 2012. The acquisition of Star Energy Group Limited completed on 14 December 2011 and therefore the March 2012 results reflect only three and a half months of results from Star Energy Group Limited.

2 Net finance costs excluding one-off costs excludes loss on interest rate swaps, loss/(gain) on warrants, early settlement fees in relation to the loan assumed in the PR Singleton acquisition and unamortised Macquarie debt costs written off under amortised cost.

3 Underlying operating profit excludes the profits/(losses) on oil price swaps, acquisition costs and charges for exploration and evaluation assets.

On 15 January 2013, IGas raised gross proceeds of £23.1 million by issuing 24.3 million new ordinary shares, as detailed above.

On 28 February 2013, IGas completed the acquisition of PR Singleton from Providence Resources Plc ("**Providence**") for consideration of £42.2 million (including assumed borrowings) which was financed through an additional borrowing of £21.4 million from Macquarie with the balance from the Group's existing cash balances.

During the year, the Group repaid £16.7 million (US$26.3 million) of debt principal in addition to interest of £6.7 million (US$10.6 million).

The Group incurred capital expenditure of £3.6 million in the year ended 31 March 2013 (2012: £18.5 million).

Balance Sheet

The Group's non-current assets increased by £50.1 million during the period to £231.4 million, principally due to the acquisition of PR Singleton. The PR 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 PR Singleton. Goodwill of £10.8 million was added to the balance sheet due to the acquisition of PR Singleton.

The completion date of the Refinancing (see Section 7 - Material contracts relating to IGas and/or the Group, below), being completed post year-end, resulted in significant temporary effects on the balance sheet as at 31 March 2013 which unwound in April 2013 following issue of the Bonds. A pro forma consolidated balance sheet is set out in the audited financial statements of IGas for the 12 month period to 31 March 2013 in Note 28 – 'Subsequent Events' to show the balance sheet as if the issue of the Bonds had completed as at 31 March 2013.

In accordance with the International Financial Reporting Standards, the monies received from the Bonds on 22 March 2013 and which were held in escrow at the balance sheet date principally to repay the outstanding loan balance with Macquarie, have been recognised within current assets as 'Other Financial Assets – Restricted Cash'. The outstanding loan balance with Macquarie as at 31 March 2013, has been recognised within current liabilities as 'Borrowings - Macquarie', and the Bonds were recognised principally within long term liabilities - 'Borrowings - Bond'. On 15 April 2013, the Bond monies were released from escrow and the outstanding loan balance with Macquarie was repaid in full (see 1.1 of this Section – Material contracts relating to IGas and/or the Group – Financing Agreements). At the same time all outstanding oil and interest rate swap hedges with Macquarie were cancelled at a cost of £10.7 million (US$16.2 million). Shortly thereafter, IGas entered into new hedging arrangements by acquiring puts for 451,450 barrels at US$90.0/barrel and 451,450 barrels at £58.8/barrel with maturities over the period to 31 March 2014. IGas also entered into additional new hedging arrangements by acquiring puts on 16 August 2013 for 80,000 barrels at US$90.0/barrel and on 16 September 2013 for 50,000 barrels at US$90.0/barrel for the period from April 2014 until June 2014. Going forward, the Board will seek to underpin the Group's future cash flows by buying puts for baseline production for at least the following 12 months.

As reflected in Note 28 – Subsequent Events of the consolidated financial statements, had the full issue of the Bonds been completed as at 31 March 2013, the current assets would have been reduced by £96.6 million and the current liabilities by £102.0 million, a net current asset impact of £5.4 million.

Net debt, being borrowings less cash, at the year-end amounted to £77.4 million. Transaction costs of £2.8 million 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 £12.5 million 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 £40.2 million as at the balance sheet date. As at 31 March 2013, the Group has corporation tax losses of £49 million and supplementary charge losses of £25 million carried forward.

Current trading, trends and prospects

The Group holds nine onshore and one offshore licence in the north west of England and in north Wales over fields where resources of shale gas have been identified and such fields may hold gas deposits capable of being extracted through the process known as fracking. Fracking (also known more technically as hydraulic fracturing) is the process of opening and/or extending existing narrow fractures or creating new ones in gas or oil-bearing rock, which allows gas or oil to flow into wellbores to be captured and is used in the extraction of shale gas. Fracking has been undertaken since 1947 and permitted in other parts of the world, most notably in the US. Of the 2000 or so onshore wells in the UK some 200 or so wells have been subject to some form of fracturing. However the exploration of shale gas using this process was restricted in the UK for almost a year until December 2012 to allow the Royal Academy and Royal Society of Engineering to report on the process (in its report entitled "Shale gas extraction in the UK: a review of hydraulic fracturing') was issued in June 2012. Fracking (also known more technically as hydraulic fracturing) is the process of opening and/or extending existing narrow fractures or creating new fractures in gas or oil-bearing rock, which allows gas or oil to flow into wellbores to be captured, and is used in the extraction of shale gas. The exploration of shale gas using this process was restricted in the UK for almost a year until December 2012, to allow the Royal Academy and Royal Society of Engineering to report on the environmental impact of this process. Their report (entitled 'Shale gas extraction in the UK: a review of hydraulic fracturing') was issued in June 2012 and the restrictions on fracking in the UK were lifted six months later. Since the lifting of those restrictions, the UK government has stated that it is committed to enabling the exploration of shale gas in a safe and environmentally sustainable way to establish its potential. At the UK government's 2013 budget, it committed itself to introducing a new tax allowance for shale gas (such statement was made in the Appendix marked Government Response to the Shale Report. Consequently, as the Group currently has fields where resources of shale gas have been identified, trends in fracking and the lifting of the restrictions could affect the Group's (and therefore the Issuer's and the Guarantors') ability to maximise the recovery of its shale gas reserves in the future.

7.6 Board of Directors

The directors of the Issuer identified below (the "**Directors**", and "**Director**" means any one of them), all of whose business addresses are at the Issuer's registered office, and are as follows:

Francis Gugen
Non-Executive Chairman

Francis Gugen, 64, is a founder and Non-Executive Chairman and has over thirty 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 Geo-Services ASA and of Chrysaor Limited and a board member of SBM Offshore NV, which are 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 Euro 224 million. He is past president of the UK Offshore Operators Association, past chair of the industries representation on the UK Government Oil & Gas Task Force (Pilot) and past chair of the CBI's Environmental Affairs Committee. Mr. Gugen is a chartered accountant having worked for Arthur Andersen for eight years until 1982, principally as an oil and gas specialist.

Andrew Austin
Chief Executive Officer

Andrew Austin, 47, is one of the founders and has been an Executive Director since 2004 and the Chief Executive Officer for the last 5 years with full time responsibility for the day-to-day operations and business development. Prior to joining the Issuer, Mr. Austin was involved in a number of ventures as principal, specialising in energy projects in the gas, electricity and renewable sectors with a track record of raising substantial funding from both private and public equity. Mr. Austin is responsible for the transformation of the Issuer from a non-operating partner to delivering material hydrocarbon production to Britain's energy market.

John Blaymires
Chief Operating Officer

John Blaymires, 56, has 30 years of international experience in the oil and gas industry gained with the Hess Corporation and Shell International. Before joining the Issuer 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 Exploration & Production sector, from deepwater to unconventional resources. Prior to that, Mr. Blaymires held various positions including Technical Director for Hess' operations in West Africa, and subsequently South East Asia with responsibility for several major oil and gas developments. Mr. Blaymires has a BSc and PhD in Mining Engineering from Leeds University. Mr. Blaymires joined the Issuer on 6 April 2010.

Stephen Bowler
Chief Financial Officer

Stephen Bowler, 40, 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, Mr. Bowler 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 the Exploration & Production sector. Mr. Bowler joined the Issuer on 1 November 2011.

John Bryant
Senior Independent Non-Executive Director

John Bryant, 67, is the Non-Executive Chairman of AIM listed Weatherly 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. Mr. Bryant 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. Before joining Cinergy, Mr. Bryant was executive director with Midlands Electricity Plc. He has been involved in developing a number of large gas fired power stations both in the UK and overseas, together with both electricity and gas distribution in Europe and Africa, renewable power in Europe and North America and gas and electricity trading. His prior experience was at British Sugar Plc, Drexel Limited, the British Oxygen Company and Unilever Plc. Drexel, where he was president, was a global oil and gas equipment manufacturing and servicing company. Mr. Bryant is a Fellow of the Institute of Directors and a Fellow of the Royal Society of Arts. Mr. Bryant joined the Issuer on 5 May 2004.

Robin Pinchbeck
Independent Non-Executive Director

Robin Pinchbeck, 60, has 39 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 subsequently served as Group Director of Strategy. Past non-executive roles include Sondex Plc, SLR Consulting Ltd and Enquest Plc and international oil services company Sparrows Offshore Ltd, where he served as Chairman from 2008 until 2012. He is currently a Non-Executive Director at AIM-listed Enteq Upstream Plc and unlisted Exoro Energy International Limited. Mr. Pinchbeck joined the Issuer on 11 July 2012.

Cuthbert McDowell
Independent Non-Executive Director

Cuthbert McDowell, 56, 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 8 years. Mr. McDowell then joined Clyde Petroleum Plc, initially as Senior Economist, subsequently becoming Group Commercial Manager before Clyde was bought by Gulf Canada. In 1997, Mr. McDowell joined Paladin Resources Plc, where he served primarily as Finance Director. The company raised £120 million in 4 separate primary offerings before it was sold to Talisman Energy Inc. for approximately £1.2 billion in 2006. Mr. McDowell is currently a Non-Executive Director at Pitkin Petroleum, a privately owned international upstream oil and gas company. Mr. McDowell joined the Issuer on 20 December 2012.

Andrew Austin and Stephen Bowler are the directors of each of the Guarantors, with John Blaymires also being a director of Island Gas Limited, Island Gas Operations Limited and IGas Exploration UK Limited. The business address of each of these directors is the registered office of the Issuer. The significant principal activities of these directors outside of the Group are set out in the table below, in the section entitled "current and previous appointments". No potential conflicts of interest exist between any duties owed to each Guarantor by its directors and their private interests or other duties.

Current and previous appointments

The following table sets out the names of all companies and partnerships outside the Group of which any Director is or has been a member of the administrative, management or supervisory body or a partner at any time in the previous five years (excluding subsidiaries of any company of which any Director is or was also a member of the administrative, management or supervisory body).

Director	**Current Directorships**	**Past Directorships**
Francis Gugen	Gugen Consulting Limited Echo Petroleum Limited Fraudscreen Limited Raft Trustees Limited Chrysaor Holdings Ltd Petroleum Geo-Services ASA SBM Offshore N.V. Smart Matrix Limited	Britannia Building Society Raft Enterprises Limited CEOC Limited
John Blaymires	None	None
Stephen Bowler	None	None
Andrew Austin	Austin and Austin Limited United Kingdom Onshore Operators Group	None
John Bryant	Axeman Overseas Limited Weatherly International Plc Blenheim Energy Limited China Africa Resources Plc Blenheim Wind and Biomass Ltd Blenheim Wind (UK) Plc	Gas Turbine Efficiency Limited Wind Ventures Limited Cinergy Global Hellas AS Attiki Gas Supply Company Attiki Denmark ApS Devonshire Wind Projects Ltd
Cuthbert McDowell	Pitkin Petroleum Plc Quotall Ltd	Coverzones Limited Bass Energy Pty Ltd
Robin Pinchbeck	Albola Investments Limited Enteq Upstream Plc Raft Trustees Limited Raft Enterprises Limited Exoro Energy International Limited Arranco 1 Limited Arranco 2 Limited	SLR Management Limited CO2 Deepstore Limited CO2 Deepstore (Aspen) Limited The New Energy Industries Limited TNEI Services Limited Arranco 3 Limited Arranco 4 Limited Energy Cranes International Limited Enquest Plc MJVI Sendirian Berhad

Robin Pinchbeck is currently a director of Arranco 1 Limited and Arranco 2 Limited and was a director on 29 November 2012 when the voluntary winding up of both companies was approved by members and creditors.

Cuthbert McDowell was a director of Coverzones Limited when an administrator was appointed on 10 May 2010. Cuthbert McDowell resigned as a director on 10 May 2010 whilst the company was in administration and the company was dissolved on 31 January 2012.

Interests of the Directors in the share capital of the Company

As at 30 September 2013 (being the latest practicable date prior to the publication of this Prospectus), the interests in the issued share capital of the Issuer of each of the Directors and persons connected with them (as defined in section 252 of the Companies Act 2006) such interests being those which could with reasonable diligence be ascertained by each Director, whether or not held through another party, and being in addition to the interests held under options under the Long Term Incentive and Share Incentive Plan of the Issuer, were as follows:

Director	**Ordinary 10p Shares**		**Share awards***
	Number	per cent.	
F R Gugen	27,615,764	14.16	
A P Austin	10,659,253	5.47	1,036,411
R Pinchbeck	141,000	0.07	
S D Bowler	70,000	0.04	402,749
J Bryant	59,045	0.03	
J M Blaymires	20,000	0.01	688,452
C McDowell	0	0	

*This includes share options and shares under the Issuer's Long Term Incentive Plan and Share Incentive Plan.

Interests of the Directors in the Bonds

On 5 March, prior to the issue of the Bonds, the Issuer received a written notice pursuant to section 184 of the Companies Act 2006 from Francis Gugen in his capacity as Director of the Issuer, stating his interest in the Bond issue by virtue of his then holding of 27,615,754 ordinary shares in the share capital of the Issuer.

As at the date of this Prospectus, Francis Gugen holds $3,000,000 Bonds (approximately 1.8% of the Bonds issued) and Cuthbert McDowell holds $300,000 Bonds (approximately 0.2% of the Bonds issued). Mr Gugen originally subscribed for, and was issued, $5,000,000 Bonds (approximately 3.0% of the Bonds issued). On 19 September 2013 Mr Gugen sold $1,400,000 Bonds at a price of $1.05 and on 23 September 2013 Mr Gugen sold a further $600,000 Bonds at a price of $1.05, thereby reducing his holding to $3,000,000 Bonds as disclosed above.

Board composition and committees

The Board consists of three Executive Directors and four Non-Executive Directors; with Mr. McDowell, Mr. Pinchbeck and Mr. Bryant being considered to be independent. The Senior Independent Non-Executive Director is Mr. Bryant.

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 Mr. McDowell and having as other members Mr. Bryant and Mr. Pinchbeck. The Chairman, Chief Executive Officer and Chief Financial Officer 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. The committee is also responsible for making recommendations to the Board 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. Each of the Guarantors falls within the remit of the Issuer's Audit Committee.

Remuneration Committee

The committee comprises only Non-Executive Directors, being chaired by Mr. Bryant and having as other members Mr. McDowell and Mr. Pinchbeck. The committee, which normally meets at least twice a year, has responsibility for making recommendations to the Board on the Issuer's policy for 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 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, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board. The committee is also tasked with ensuring that plans are in place for orderly succession to the Board and senior management positions, so as to maintain an appropriate balance of skills and experience within the Group and the Board. The Chief Executive Officer of the Issuer 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.

Pursuant to the Issuer's articles of association, at each annual general meeting of the Issuer, 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 Issuer 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 and safety, compliance matters and risk management are reviewed on an ongoing basis. 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.

7.7 UK Bribery Act

The Issuer has reviewed the appropriate policies and procedures to ensure compliance with the UK Bribery Act 2010. The Issuer continues actively to promote good practice throughout the Group and has initiated a rolling program of anti-bribery and corruption training for all relevant employees.

7.8 Corporate governance

The Board supports high standards of corporate governance and the guidance set out in the Combined Code on Corporate Governance (the "**Combined Code**"). Whilst the Issuer is not required to comply with the Combined Code because its shares are listed on AIM and not the premium listing segment of the official list of the FCA, nevertheless all of the Directors and the directors of each of the Guarantors comply with its main provisions as far as they relate to the Group given its size and composition.

7.9 Major shareholders

As of 30 September 2013 (being the latest practicable date prior to the publication of this Prospectus), so far as is known to the Issuer by virtue of notifications made to it pursuant to the FCA's Disclosure and Transparency Rules, the persons who are, directly or indirectly, interested in three per cent. or more of the Issuer's voting rights are as follows:

	Number of shares	Percentage
Nexen	39,714,290	20.36 per cent.
Francis Gugen	27,615,764	14.16 per cent.
Brent Cheshire	11,429,253	5.86 per cent.
Andrew Austin	10,665,962	5.47 per cent.
Henderson Global Investors	9,002,036	4.62 per cent.
Peter Levine And Levine Capital Management	8,871,005	4.55 per cent.
Baillie Gifford	8,088,217	4.15 per cent.

To the extent known to the Issuer, it is not directly or indirectly owned or controlled by any individual or connected group of individuals.

As of the date of this Prospectus, IGas had in issue 195,057,231 ordinary shares of 10 pence each, each of which are fully paid. The authorised share capital of IGas is £19,505,723.10 (being the current issued share capital, together with the aggregate nominal value of the shares the Directors are authorised pursuant to the ordinary resolution of the shareholders passed at the Annual General Meeting of the Issuer on 8 August 2013).

As of the date of this Prospectus, the issued share capital of each of the Guarantors is set out in the table below, all of which is fully paid:

Guarantor	Details of Issued Share Capital
Island Gas Limited	£668 consisting of 668 ordinary shares of £1 each.
Island Gas Operations Limited	£2 consisting of 2 ordinary shares of £1 each.
IGas Exploration UK Limited	£17,687,562 consisting of 17,687,562 ordinary shares of £1 each.
Star Energy Oil & Gas Limited	£4,176,708 consisting of 4,176,708 ordinary shares of £1 each.
Star Energy Weald Basin Limited	£15,223,205 consisting of 152,232,050 ordinary shares of 10p each.
Star Energy Group Limited	£9,526,077.50 consisting of 95,260,775 ordinary shares of 10p each.
Star Energy (East Midlands) Limited	£1 consisting of 1 ordinary share of £1.
Star Energy Limited	£5,183,143.10 consisting of 51,831,431 ordinary shares of

	10p each.
Island Gas (Singleton) Limited	£4,357,245.10 consisting of 87,144,839 ordinary shares of 5p each and 1 deferred share of 45p.

7.10 Objects and purposes

The Issuer's and each Guarantor's objects and purposes are unrestricted.

7.11 Material contracts relating to IGas and/or the Group

The following is a summary of each contract (not being a contract entered into in the ordinary course of the Issuer's or any Guarantor's business) that has been entered into by the Issuer or any Guarantor which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's or any Guarantor's ability to meet its obligations to Bondholders.

Financing Agreements

(A) IGas and the Guarantors entered into the Bond Agreement with the Bond Trustee on 21 March 2013. Pursuant to the Bond Agreement, IGas issued 165,000,000 Bonds of US$1 each to holders registered (directly or indirectly) with the Verdipapirsentralen (VPS), the Securities Depository. See Appendix C of this Prospectus for information relating to the Bonds under the Bond Agreement.

The Bond Agreement contains representations, warranties and covenants from IGas and its subsidiaries which are party to the agreement, to the Bond Trustee.

(B) IGas and the Guarantors entered into the Security Agreement with the Bond Trustee (as Security Agent) on 10 April 2013 securing *inter alia* the payments due under the Bond Agreement in favour of the Security Agent.

Under the Security Agreement, IGas and each of the Guarantors provides security to the Bond Trustee, on behalf of the Bondholders, over all of its present and future business, assets and undertaking, which includes:

(i) all estates and interests in freehold and leasehold property (whether registered or unregistered) held by each Guarantor and the Issuer, together with (i) all buildings, fixtures and fixed plant and machinery at any time thereon; (ii) all easements, rights and agreements in respect thereof; and (iii) the benefit of all covenants given in respect thereof;

(ii) the hydrocarbon licences (please see paragraph 7.4 of Section 7 (Description of IGas and the Group));

(iii) all pipelines, plant, machinery, fixtures, fittings, computers, vehicles, office equipment, other equipment and any other infrastructure related to the use, possession, ownership, exploration, development, construction, operation and/or exploitation of any hydrocarbon field by IGas or any Guarantor;

(iv) the securities held by IGas and each of the Guarantors in each of the other Group companies (for further information as to these securities, please see B.5 of Section 1 (Summary) for a diagram setting out the ownership structure of the Group and paragraph 7.9 of Section 7 (Description of IGas and the Group) for details of the issued share capital of the Issuer and each of the Guarantors);

(v) all accounts held by IGas and each Guarantor at any time, and all monies at any time standing to the credit of such accounts;

(vi) all contracts, including the Singleton Acquisition Agreement and the Singleton Tax Deed, and the other commercial contracts of the Issuer and each Guarantor; and

(vii) all policies of insurance which are at any time held by or written in favour of IGas or any of the Guarantors, or in which IGas or any Guarantor from time to time has an interest, excluding, in each case, to the extent such contracts and policies of insurance or assurance relate to liabilities to third parties.

The Security Agreement is not a guarantee. If the Security Agent enforces the security, the net proceeds of the sale of the assets subject to the Security Agreement will be applied towards the repayment of the Bonds, after deduction of the expenses of the Bond Trustee.

Pursuant to the Bond Agreement, each Guarantor has also entered into an unconditional on-demand guarantee on a joint and several basis extending to the ultimate balance of all amounts payable by the Issuer under all finance documents entered into in connection with the issue of the Bonds (including interest, costs and expenses), regardless of any immediate payment or discharge in whole or in part.

See also Appendix B – Terms and Conditions of the Bonds under the Bond Agreement.

(C) IGas entered into a warrant instrument (the "**Warrant Instrument**") on 14 December 2011 under the terms of which Macquarie may exercise warrants (the "**Warrants**") to acquire up to 21,286,646 ordinary shares of IGas in IGas at a price of 55.8 pence per ordinary share. The principal terms of the Warrant Instrument are as follows:

(i) the Warrants may be exercised at any time from the first utilisation of a Loan (as defined in the Credit Agreement as described at paragraph D below) until the earlier of:

1 the date on which all Warrants have been exercised;

2 the date of termination of the Warrants pursuant to a takeover offer for IGas; and

3 six years after the date of first utilisation of the Loan as defined in the Credit Agreement (or, if on the applicable end date, the holder would be considered to have non-public price sensitive information relating to IGas, 90 days following the date on which the holder is no longer considered to hold such information).

(ii) ordinary shares issued on the exercise of the Warrants will rank in all respects pari passu with existing fully paid ordinary shares;

(iii) the holder of the Warrants can elect to exercise all or some of the Warrants according to four completion methods:

1 regular exercise, whereby the holder makes remittance to IGas on the date of exercise of an amount equal to the aggregate Subscription Price (as defined in the Warrant Instrument, being 55.98 pence unless nominal exercise applies – see sub-paragraph 3 below;

2 facility offset, whereby an amount of indebtedness owed by IGas to the holder is satisfied by the issue of ordinary shares pursuant to the exercise of the Warrants;

3 nominal exercise, whereby the holder can elect to exercise the Warrants at an exercise price of the par value of the shares. The number of Warrants which can be exercised in this way is calculated in accordance with a formula contained in the Warrant Instrument; and

4 cashless exercise, whereby the holder can exercise a proportion of the Warrants when the share price is equal to the Cashless Exercise Price (as calculated in accordance with the Warrant Instrument). The remaining Warrants to be exercised using this method are then cancelled

and discharged by the holder in consideration of the payment by IGas of an amount equal to the aggregate strike price for the shares to be issued pursuant to the exercise of the Warrants. The obligation of IGas to pay such amount is offset against the obligation of the holder to pay the subscription price in respect of the ordinary shares issued pursuant to this completion method;

(iv) the Warrant Instrument contains provisions for the appropriate adjustment of the number of ordinary shares issued on the exercise of the Warrants and the subscription price upon a subdivision, consolidation, capitalisation of profits or reserves or other reorganisation of share capital;

(v) during the subscription period, IGas undertakes:

1 to maintain sufficient authorities to issue ordinary shares to satisfy the exercise of the Warrants,

2 not to issue any share capital other than ordinary shares pursuant to the Warrants;

3 not to alter IGas' articles of association or the rights attached to the ordinary shares, except for alterations which are properly adjusted for under the Warrant Instrument and would not be otherwise prejudicial to the economic interest of the holder;

4 not to issue or pay up securities by way of capitalisation of profits or reserves other than ordinary shares issued pursuant to the Warrants and properly adjusted for under the Warrant Instrument;

5 not to issue any equity share capital for less than full market value;

6 not to declare or pay any dividend or make any distribution of profits or reserves without making a simultaneous payment to the holder of a sum equal to the amount which it would have received had it exercised its rights in full;

7 not to reduce its share capital or share premium account or capital redemption reserve without the holders' written consent;

8 not to purchase or redeem any share capital (other than deferred shares having no economic value) without the written consent of the holder;

9 not to offer or invite its shareholders to subscribe for equity share capital unless it notifies the holder and provides it with the same information at the same time as it provides such information to the shareholders;

10 not to carry out a placing of shares or other non-pre-emptive issue unless the holder is offered, on the same terms, to participate in the placing, such participation to be calculated in accordance with a formula contained in the Warrant Instrument; and

11 not to grant any other share options unless the holder is offered a participation on the same terms;

(vi) if a takeover offer is made to all holders of ordinary shares, IGas shall notify the holder and procure that the offer remains open for a minimum of 15 business days to allow the holder to exercise its Warrants and participate in the takeover offer;

(vii) Warrants may be transferred to a nominee, Bond Trustee or affiliate of or fund managed by the holder without IGas' consent or to any other proposed transferee with the consent of IGas; and

(viii) IGas will use its reasonable endeavours to procure that its existing share capital is sub-divided to a price of not more than 10 pence per share as soon as reasonably practicable after the date of the Warrant Instrument (and no later than six months after such date).

On 19 June 2013, pursuant to the Warrant Instrument, Macquarie exercised Warrants to subscribe for 3,000,000 ordinary shares in IGas. Dealings commenced on 26 June 2013.

On 17 July 2013, pursuant to the Warrant Instrument, Macquarie exercised Warrants to subscribe for 2,975,656 new ordinary shares in IGas by way of the nominal exercise of 5,286,645 Warrants. Dealings commenced on 26 July 2013.

On 19 August 2013, Rock (Nominees) Limited acquired 5,500,000 Warrants from Macquarie. Accordingly, there remain only 5,500,000 million Warrants capable of being exercised by Macquarie.

(D) On 21 November 2011 the Company and Macquarie entered into a senior secured facility agreement (the "**Credit Agreement**"). The Credit Agreement consisted of three separate facilities:

(i) a US$90,000,000 5 year senior secured term loan, carrying interest at 5.5 per cent. over LIBOR and a 2 per cent. commitment fee;

(ii) a US$45,000,000 5 year subordinated facility carrying interest at 12 per cent. above LIBOR and a commitment fee of 3.5 per cent.; and

(iii) an uncommitted working capital facility which may be made available at the discretion of Macquarie.

The Credit Agreement contained representations, warranties and covenants from the Company to Macquarie and was guaranteed by each of the Subsidiaries (excluding Larchford Limited). The Credit Agreement was terminated on 10 April 2013.

Hedging Agreements

(A) On 22 April 2013 one of the Guarantors, Island Gas Limited, entered into a 1992 ISDA Master Agreement (Multicurrency – Cross-Border) with Barclays Bank PLC (**"Barclays"**). Under the 1992 ISDA Master Agreement together with its schedules and confirmations, Island Gas Limited agreed to enter into a derivative transaction constituting a Brent Crude Oil put option with Barclays on an unsecured basis in order to hedge the current and future exposure of the Group to fluctuations in foreign exchange rates and certain prices of Brent Crude Oil, up to a maximum of 902,900 BBL (a barrel of 42 U.S. gallons of oil), with 451,450 BBL at a strike price of USD 90.00 per BBL and 451,450 BBL at a strike price of GBP £58.80 per BBL, over an eleven month period, commencing on 01 May 2013 and terminating on 31 March 2014.

(B) On 16 September 2013 one of the Guarantors, Island Gas Limited, entered into a 1992 ISDA Master Agreement (Multicurrency – Cross-Border) with Natixis. Under the 1992 ISDA Master Agreement together with its schedules and confirmations, Island Gas Limited agreed to enter into a derivative transaction constituting a Brent Crude Oil put option with Natixis on an unsecured basis in order to hedge the current and future exposure of the Group to fluctuations in foreign exchange rates and certain prices of Brent Crude Oil, up to a maximum of 50,000 BBL at a strike price of USD 90.00 per BBL over a three month period, commencing on 1 April 2014 and terminating on 30 June 2014.

(C) On 16 August 2013 one of the Guarantors, Island Gas Limited, entered into a 1992 ISDA Master Agreement (Multicurrency – Cross-Border) with Natixis. Under the 1992 ISDA Master Agreement together with its schedules and confirmations, Island Gas Limited agreed to enter into a derivative transaction constituting a Brent Crude Oil put option with Natixis on an unsecured basis in order to hedge the current and future exposure of the Group to fluctuations in foreign exchange rates and certain prices of Brent Crude Oil, up to a maximum of 80,000 BBL at a strike price of USD 90.00 per BBL over a three month period, commencing on 1 April 2014 and terminating on 30 June 2014.

8

DESCRIPTION OF THE GUARANTORS

This section sets out information about the Guarantors.

1. **Island Gas Limited**

Introduction

Island Gas Limited was incorporated as a private limited company in England and Wales on 12 November 2003 with registered number 04962079 and operates under the Companies Act 2006. It has its principal place of business and registered office at 7 Down Street, London W1J 8AJ and its telephone number is +44 207 993 9899. Its legal and commercial name is Island Gas Limited.

Island Gas Limited is a wholly owned subsidiary of the Issuer. Its principal activity is that of exploration and production of gas.

Island Gas Limited has issued share capital of £668 consisting of 668 ordinary shares of £1 each. All of its issued share capital is fully paid up.

The objects and purposes of Island Gas Limited are unrestricted, as permitted by the Companies Act 2006 as it has no objects clause.

Administrative, Management and Supervisory Bodies

The names and positions of the board members of Island Gas Limited are as follows:

Name	**Position**
Andrew Austin	Director
Stephen Bowler	Director
John Blaymires	Director

The list of principal activities performed by each of them outside of Island Gas Limited can be found in Section 7 – Description of IGas and the Group, under the heading “Current and previous appointments”.

The business address of each of the directors is 7 Down Street, London W1J 8AJ.

There are no potential conflicts of interest between any duties to Island Gas Limited of the directors referred to above and their private interests and/or other duties.

The statutory auditors of Island Gas Limited are Ernst & Young LLP, members of the Institute of Chartered Accountants of England and Wales, of 1 More London Place, London EC2V 7QR, United Kingdom. Island Gas Limited falls within the remit of the Issuer’s Audit Committee, which is described further in Section 7 – Description of IGas and the Group, under the heading “Audit Committee”.

2. **Island Gas Operations Limited**

Introduction

Island Gas Operations Limited was incorporated as a private limited company in England and Wales on 22 May 2000 with registered number 03999194 and operates under the Companies Act 2006. It has its principal place of business and registered office at 7 Down Street, London W1J 8AJ and its telephone number is +44 207 993 9899. Its legal and commercial name is Island Gas Operations Limited.

Island Gas Operations Limited is a wholly owned subsidiary of the Issuer. Its principal activity is to enter into framework power purchase agreements to provide power to major suppliers of electricity in the United Kingdom.

Island Gas Operations Limited has issued share capital of £2 consisting of 2 ordinary shares of £1 each. All of its issued share capital is fully paid up.

The objects and purposes of Island Gas Operations Limited are unrestricted, as permitted by the Companies Act 2006 as it has no objects clause.

Administrative, Management and Supervisory Bodies

The names and positions of the board members of Island Gas Operations Limited are as follows:

Name	**Position**
Andrew Austin	Director
Stephen Bowler	Director
John Blaymires	Director

The list of principal activities performed by each of them outside of Island Gas Operations Limited can be found in Section 7 – Description of IGas and the Group, under the heading "Current and previous appointments".

The business address of each of the directors is 7 Down Street, London W1J 8AJ.

There are no potential conflicts of interest between any duties to Island Gas Operations Limited of the directors referred to above and their private interests and/or other duties.

The statutory auditors of Island Gas Operations Limited are Ernst & Young LLP, members of the Institute of Chartered Accountants of England and Wales, of 1 More London Place, London EC2V 7QR, United Kingdom. Island Gas Operations Limited falls within the remit of the Issuer's Audit Committee, which is described further in Section 7 – Description of IGas and the Group, under the heading "Audit Committee".

3. IGas Exploration UK Limited

Introduction

IGas Exploration UK Limited was incorporated as a private limited company in England and Wales on 16 November 2001 with registered number 04323945 and operates under the Companies Act 2006. It has its principal place of business and registered office at 7 Down Street, London W1J 8AJ and its telephone number is +44 207 993 9899. Its legal and commercial name is IGas Exploration UK Limited.

IGas Exploration UK Limited is a wholly owned subsidiary of the Issuer. Its principal activity is that of exploration and production of gas.

IGas Exploration UK Limited has issued share capital of £17,687,562 consisting of 17,687,562 ordinary shares of £1 each. All of its issued share capital is fully paid up.

The objects and purposes of IGas Exploration UK Limited are unrestricted, as permitted by the Companies Act 2006 as it has no objects clause.

Administrative, Management and Supervisory Bodies

The names and positions of the board members of IGas Exploration UK Limited are as follows:

Name	**Position**
Andrew Austin	Director
Stephen Bowler	Director
John Blaymires	Director

The list of principal activities performed by each of them outside of IGas Exploration UK Limited can be found in Section 7 – Description of IGas and the Group, under the heading "Current and previous appointments".

The business address of each of the directors is 7 Down Street, London W1J 8AJ.

There are no potential conflicts of interest between any duties to IGas Exploration UK Limited of the directors referred to above and their private interests and/or other duties.

The statutory auditors of IGas Exploration UK Limited are Ernst & Young LLP, members of the Institute of Chartered Accountants of England and Wales, of 1 More London Place, London EC2V 7QR, United Kingdom. IGas Exploration UK Limited falls within the remit of the Issuer's Audit Committee, which is described further in Section 7 – Description of IGas and the Group, under the heading "Audit Committee".

4. **Star Energy Group Limited**

Introduction

Star Energy Group Limited was incorporated as a private limited company in England and Wales on 24 February 2004 with registered number 05054503 and operates under the Companies Act 2006. It has its principal place of business and registered office at 7 Down Street, London W1J 8AJ and its telephone number is +44 207 993 9899. Its legal and commercial name is Star Energy Group Limited.

Star Energy Group Limited is a wholly owned subsidiary of the Issuer. Its principal activity is that of a holding company for its Group subsidiaries Star Energy Limited, Star Energy Weald Basin Limited (which in turn holds Star Energy Oil UK Limited) and Star Energy Oil & Gas Limited (which in turn holds Star Energy East Midlands) Limited. Star Energy Group Limited's risks and key performance indicators are only reported and managed at the Issuer level.

Star Energy Group Limited has issued share capital of £9,526,077.50 consisting of 95,260,775 ordinary shares of 10p each. All of its issued share capital is fully paid up.

The objects and purposes of Star Energy Group Limited are unrestricted, as permitted by the Companies Act 2006 as it has no objects clause.

Administrative, Management and Supervisory Bodies

The names and positions of the board members of Star Energy Group Limited are as follows:

Name	**Position**
Andrew Austin	Director
Stephen Bowler	Chief Financial Officer

The list of principal activities performed by each of them outside of Star Energy Group Limited can be found in Section 7 – Description of IGas and the Group, under the heading "Current and previous appointments".

The business address of each of the directors is 7 Down Street, London W1J 8AJ.

There are no potential conflicts of interest between any duties to Star Energy Group Limited of the directors referred to above and their private interests and/or other duties.

The statutory auditors of Star Energy Group Limited are Ernst & Young LLP, members of the Institute of Chartered Accountants of England and Wales, of 1 More London Place, London EC2V 7QR, United Kingdom. Star Energy Group Limited falls within the remit of the Issuer's Audit Committee, which is described further in Section 7 – Description of IGas and the Group, under the heading "Audit Committee".

5. Star Energy Limited

Introduction

Star Energy Limited was incorporated as a private limited company in England and Wales on 14 July 1999 with registered number 03806814 and operates under the Companies Act 2006. It has its principal place of business and registered office at 7 Down Street, London W1J 8AJ and its telephone number is +44 207 993 9899. Its legal and commercial name is Star Energy Limited.

Star Energy Limited is a wholly owned subsidiary of the Issuer. Its principal activity is that of a holding company providing management services to the Group.

Star Energy Limited has issued share capital of £5,183,143.10 consisting of 51,831,431 ordinary shares of 10p each. All of its issued share capital is fully paid up.

The objects and purposes of Star Energy Limited are unrestricted, as permitted by the Companies Act 2006, as it has no objects clause.

Administrative, Management and Supervisory Bodies

The names and positions of the board members of Star Energy Limited are as follows:

Name	**Position**
Andrew Austin	Director
Stephen Bowler	Chief Financial Officer

The list of principal activities performed by each of them outside of Star Energy Limited can be found in Section 7 – Description of IGas and the Group, under the heading “Current and previous appointments”.

The business address of each of the directors is 7 Down Street, London W1J 8AJ.

There are no potential conflicts of interest between any duties to Star Energy Limited of the directors referred to above and their private interests and/or other duties.

The statutory auditors of Star Energy Limited are Ernst & Young LLP, members of the Institute of Chartered Accountants of England and Wales, of 1 More London Place, London EC2V 7QR, United Kingdom. Star Energy Limited falls within the remit of the Issuer’s Audit Committee, which is described further in Section 7 – Description of IGas and the Group, under the heading “Audit Committee”.

6. Star Energy Weald Basin Limited

Introduction

Star Energy Weald Basin Limited was incorporated as a private limited company in England and Wales on 26 June 2007 with registered number 06293763 and operates under the Companies Act 2006. It has its principal place of business and registered office at 7 Down Street, London W1J 8AJ and its telephone number is +44 207 993 9899. Its legal and commercial name is Star Energy Weald Basin Limited.

Star Energy Weald Basin Limited is a wholly owned subsidiary of the Issuer. Its principal activity is that of acting as agent and selling oil on behalf of third parties and other Group Companies.

Star Energy Weald Basin Limited has issued share capital of £15,223,205 consisting of 152,232,050 ordinary shares of 10p each. All of its issued share capital is fully paid up.

The objects and purposes of Star Energy Weald Basin Limited are unrestricted, as permitted by the Companies Act 2006 as it has no objects clause.

Administrative, Management and Supervisory Bodies

The names and positions of the board members of Star Energy Weald Basin Limited are as follows:

Name	**Position**
Andrew Austin	Director
Stephen Bowler	Chief Financial Officer

The list of principal activities performed by each of them outside of Star Energy Weald Basin Limited can be found in Section 7 – Description of IGas and the Group, under the heading "Current and previous appointments".

The business address of each of the directors is 7 Down Street, London W1J 8AJ.

There are no potential conflicts of interest between any duties to Star Energy Weald Basin Limited of the directors referred to above and their private interests and/or other duties.

The statutory auditors of Star Energy Weald Basin Limited are Ernst & Young LLP, members of the Institute of Chartered Accountants of England and Wales, of 1 More London Place, London EC2V 7QR, United Kingdom. Star Energy Weald Basin Limited falls within the remit of the Issuer's Audit Committee, which is described further in Section 7 – Description of IGas and the Group, under the heading "Audit Committee".

7. **Star Energy Oil & Gas Limited**

Introduction

Star Energy Oil & Gas Limited was incorporated as a private limited company in England and Wales on 7 July 1988 with registered number 02275006 and operates under the Companies Act 2006. It has its principal place of business and registered office at 7 Down Street, London W1J 8AJ and its telephone number is +44 207 993 9899. Its legal and commercial name is Star Energy Oil & Gas Limited.

Star Energy Oil & Gas Limited is a wholly owned subsidiary of the Issuer. Its principal activity is that of a holding company for its subsidiary Star Energy (East Midlands) Limited.

Star Energy Oil & Gas Limited has issued share capital of £4,176,708 consisting of 4,176,708 ordinary shares of £1 each. All of its issued share capital is fully paid up.

The objects and purposes of Star Energy Oil & Gas Limited are unrestricted, as permitted by the Companies Act 2006 as it has no objects clause.

Administrative, Management and Supervisory Bodies

The names and positions of the board members of Star Energy Oil & Gas Limited are as follows:

Name	**Position**
Andrew Austin	Director
Stephen Bowler	Chief Financial Officer

The list of principal activities performed by each of them outside of Star Energy Oil & Gas Limited can be found in Section 7 – Description of IGas and the Group, under the heading "Current and previous appointments".

The business address of each of the directors is 7 Down Street, London W1J 8AJ.

There are no potential conflicts of interest between any duties to Star Energy Oil & Gas Limited of the directors referred to above and their private interests and/or other duties.

The statutory auditors of Star Energy Oil & Gas Limited are Ernst & Young LLP, members of the Institute of Chartered Accountants of England and Wales, of 1 More London Place, London EC2V 7QR, United Kingdom. Star Energy Oil & Gas Limited falls within the remit of the Issuer's Audit Committee, which is described further in Section 7 – Description of IGas and the Group, under the heading "Audit Committee".

8. **Star Energy (East Midlands) Limited**

Introduction

Star Energy (East Midlands) Limited was incorporated as a private limited company in England and Wales on 6 April 2000 with registered number 03966330 and operates under the Companies Act 2006. It has its principal place of business and registered office at 7 Down Street, London W1J 8AJ and its telephone number is +44 207 993 9899. Its legal and commercial name is Star Energy (East Midlands) Limited.

Star Energy (East Midlands) Limited is a wholly owned subsidiary of the Issuer. Star Energy (East Midlands) Limited is dormant.

Star Energy (East Midlands) Limited has issued share capital of £1 consisting of 1 ordinary share of £1. All of its issued share capital is fully paid up.

The objects and purposes of Star Energy (East Midlands) Limited are unrestricted, as permitted by the Companies Act 2006 as it has no objects clause.

Administrative, Management and Supervisory Bodies

The names and positions of the board members of Star Energy (East Midlands) Limited are as follows:

Name	**Position**
Andrew Austin	Director
Stephen Bowler	Chief Financial Officer

The list of principal activities performed by each of them outside of Star Energy (East Midlands) Limited can be found in Section 7 – Description of IGas and the Group, under the heading "Current and previous appointments".

The business address of each of the directors is 7 Down Street, London W1J 8AJ.

There are no potential conflicts of interest between any duties to Star Energy (East Midlands) Limited of the directors referred to above and their private interests and/or other duties.

The statutory auditors of Star Energy (East Midlands) Limited are Ernst & Young LLP, members of the Institute of Chartered Accountants of England and Wales, of 1 More London Place, London EC2V 7QR, United Kingdom. Star Energy (East Midlands) Limited falls within the remit of the Issuer's Audit Committee, which is described further in Section 7 – Description of IGas and the Group, under the heading "Audit Committee".

9. **Island Gas (singleton) Limited**

Introduction

Island Gas (Singleton) Limited was incorporated as a private limited company in England and Wales on 16 August 1971 with registered number 01021095 and operates under the Companies Act 2006. It has its principal place of business and registered office at 7 Down Street, London W1J 8AJ and its telephone number is +44 207 993 9899. Its legal and commercial name is Island Gas (Singleton) Limited.

Island Gas (Singleton) Limited is a wholly owned subsidiary of the Issuer. Its principal activity is that of exploration and production of gas.

Island Gas (Singleton) Limited has issued share capital of £4,357,245.10 consisting of 87,144,839 ordinary shares of 5p each and 1 deferred share of 45p. All of its issued share capital is fully paid up.

The objects and purposes of Island Gas (Singleton) Limited are set out in clause 3 of its memorandum of association and include, amongst others, to guarantee and become or give security for the performance of contracts by, and act as banker for, any person or company, where the so doing may seem advantageous or desirable in the interests of the Company.

Administrative, Management and Supervisory Bodies

The names and positions of the board members of Island Gas (Singleton) Limited are as follows:

Name	Position
Andrew Austin	Director
Stephen Bowler	Director

The list of principal activities performed by each of them outside of Island Gas (Singleton) Limited can be found in Section 7 – Description of IGas and the Group, under the heading "Current and previous appointments".

The business address of each of the directors is 7 Down Street, London W1J 8AJ.

There are no potential conflicts of interest between any duties to Island Gas (Singleton) Limited of the directors referred to above and their private interests and/or other duties.

The statutory auditors of Island Gas (Singleton) Limited are KPMG, members of the Institute of Chartered Accountants of England and Wales, of 1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland. Island Gas (Singleton) Limited falls within the remit of the Issuer's Audit Committee, which is described further in Section 7 – Description of IGas and the Group, under the heading "Audit Committee".

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SUBSCRIPTION, SALE AND TRANSFER RESTRICTIONS

SUBSCRIPTION, SALE AND TRANSFER RESTRICTIONS

The Manager has procured subscribers for the Bonds at the issue price of 100 per cent. of the nominal amount of the Bonds, less arrangement, management and applicable distribution fees. The issue of the Bonds was not underwritten by the Manager, the Authorised Offerors or any other person.

United States

The Issuer has relied upon certain exemptions from the registration requirements of the Securities Act of 1933, as amended (the "**U.S. Securities Act**"). In making an investment decision with respect to the Bonds, investors must rely on their own examination of the Issuer and the terms of the Bonds, including the merits and risks involved. The Bonds have not been recommended by any United States federal or state authorities or by any foreign authorities and such authorities have not determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

The Bonds were offered and are sold (i) outside the United States to persons other than U.S. persons in reliance on Regulation S under the U.S. Securities Act and (ii) in the United States to Qualified Institutional Buyers ("**QIBs**") in reliance on Rule 144A or another transaction exempt from the registration requirements of the U.S. Securities Act. As used herein, the terms "**United States**" and "**U.S. person**" have the meanings given to them in Rule 902 of Regulation S under the U.S. Securities Act. The Bonds have not been, and will not be, approved by the United States Securities and Exchange Commission or registered under the U.S. Securities Act or any state securities laws. Any representation to the contrary is a criminal offence in the United States. In general, this Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction under any circumstances in which such offer or solicitation is not authorised or is unlawful.

Each purchaser of the Bonds, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and with the Manager (among other things) that such purchaser (A) (i) is not a U.S. person and (ii) is acquiring such Bonds for its own account or for the account of another non-U.S. person in an offshore transaction (as defined in Regulation S) pursuant to an exemption from registration provided by Regulation S or (B) (i) is a QIB (as defined in Rule 144A), (ii) is aware that the sale to it is being made in reliance on an exemption from the registration requirements of the U.S. Securities Act, (iii) is acquiring such Bonds for its own account or for the account of another QIB, (iv) is aware that the Bonds are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act and (v) acknowledges that the Bonds have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer.

In connection with any Bonds that are offered or sold outside the United States in reliance on the exemption from the registration requirements under Regulation S ("**Regulation S Bonds**"), the Manager has represented and agreed that it will not offer, sell or deliver any Regulation S Bonds (a) as part of its distribution at any time or (b) until 40 days after the completion of the distribution of all Bonds (such 40-day period, the "**distribution compliance period**"), within the United States or to, or for the account or benefit of, U.S. persons (other than to QIBs in compliance with Rule 144A under the U.S. Securities Act). During the distribution compliance period, all offers and sales of Regulation S Bonds will be required to be placed through the Manager. The Manager shall send to each dealer to which it sells any Regulation S Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Bonds within the United States or to, or for the account or benefit of, U.S. persons.

Any offer or sale in the United States will be made by one or more affiliates of the Manager who are broker-dealers registered under the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). In addition, until 40 days after the commencement of the Offering, an offer or sale of Bonds within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the U.S. Securities Act and in connection with any applicable state securities laws.

Transfer Restrictions

BECAUSE OF THE FOLLOWING RESTRICTIONS, PURCHASERS OF BONDS IN THE UNITED STATES ARE ADVISED TO CONSULT LEGAL COUNSEL PRIOR TO MAKING ANY OFFER, RESALE, PLEDGE OR TRANSFER OF SUCH BONDS.

The Bonds have not been and will not be registered under the U.S. Securities Act, or under the securities laws of any state of the United States. Accordingly, the Bonds may not be offered, pledged, sold, resold, granted, delivered, allotted or otherwise transferred, as applicable, in the United States, except in transactions that are exempt from, or in transactions not subject to, registration under the U.S. Securities Act and in compliance with any applicable state securities laws.

Prospective investors that are U.S. persons or have a registered U.S. address (each a "**U.S. Investor**"), hereby acknowledges that the offer and sale of the Bonds were made in a transaction exempt from the registration requirements of the U.S. Securities Act. Each U.S. Investor agrees that it will not offer, resell, pledge or otherwise transfer any of such Bonds except (a)(i) to the Issuer; (ii) to a person who the seller reasonably believes is a QIB within the meaning of Rule 144A under the U.S. Securities Act purchasing for its own account or for the account or benefit of a QIB in a transaction meeting the requirements of Rule 144A; (iii) outside the United States in compliance with Rule 903 or Rule 904, as applicable, of Regulation S under the U.S. Securities Act; (iv) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (if available); (v) pursuant to any other available exemption from registration under the U.S. Securities Act; or (vi) pursuant to an effective registration statement under the U.S. Securities Act and (b) in accordance with all applicable securities laws of the states of the United States and any other jurisdiction. No representation can be made as to the availability of the exemption from registration provided by Rule 144 for re-sales of the Bonds.

Available Information

The Issuer agrees that for so long as any of the Bonds being offered and sold remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, if at any time the Issuer is neither subject to Section 13 or 15(d) under the U.S. Exchange Act nor the reporting requirements under the U.S. Exchange Act pursuant to Rule 12g3-2(b) thereunder, the Issuer will furnish to any bondholder or to a prospective purchaser of the Bonds designated by such bondholder the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act, upon the written request by such bondholder.

Service of Process; Enforcement of Liability

The Issuer is an entity organised outside the United States. Certain of the Directors and executive officers of the Issuer reside in countries other than the United States. All or a substantial portion of the assets of such persons and the Issuer are located outside the United States. As a result, it may not be possible for investors (i) to effect service of process within the United States; (ii) to enforce, in the United States courts or outside the United States, judgments obtained against such persons in jurisdictions outside the United States or (iii) to enforce, in original actions brought in courts in jurisdictions located outside the United States liabilities predicated upon the civil liability provisions of the United States securities laws.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, ANNOTATED, 1955, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Canada

RESALE RESTRICTIONS

The distribution of the Bonds in Canada in the Provinces of Alberta, British Columbia and Ontario (the "**Canadian Provinces**") was made only on a private placement basis and was exempt from the requirement that the Issuer prepares and files a prospectus with the securities regulatory authorities in the Canadian Provinces. Any resale of the Bonds in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction. Such securities laws may require resales to be made under exemptions from the prospectus requirements and through a registered securities dealer or person not required to register as a dealer under applicable Canadian securities laws. These Canadian resale restrictions may in some circumstances apply to resales made outside of Canada. If Canadian provincial or territorial securities legislation applies to the trade, unless permitted under Canadian provincial or territorial securities legislation, the holder of Bonds acquired must not trade such securities before the date that is four months and one day after the date of issuance of the Bonds. Purchasers are advised to seek legal advice prior to any resale of the Bonds.

PURCHASERS' RIGHTS

In certain circumstances, purchasers resident in certain provinces of Canada are provided with a remedy for rescission or damages, or both, in addition to any other right they may have at law, where an Prospectus and any amendment to it contains a misrepresentation. A "misrepresentation" is an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in the light of the circumstances in which it was made. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by the applicable securities legislation. The following summary is subject to the express provisions of the applicable securities laws, regulations and rules, and reference is made thereto for the complete text of such provisions. Such provisions may contain limitations and statutory defences not described herein on which the Issuer and other applicable parties may rely. **Purchasers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal adviser.**

United Kingdom

The Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of FSMA would not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Public offer selling restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than the offers contemplated in the Prospectus in the United Kingdom from the time the Prospectus has been approved by the competent authority in the United Kingdom and published in accordance with the Prospectus Directive as implemented in the United Kingdom until the Issue Date or such later date as the Issuer may permit, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Manager; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds referred shall require the Issuer or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

In this provision, the expression an "**offer of Bonds to the public**" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/ED (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "**PD Amending Directive**" means Directive 2010/73/EU.

Norway

Norway has implemented the Prospectus Directive therefore the provisions relating to a Relevant Member State above apply.

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ADDITIONAL INFORMATION

You should be aware of a number of other matters that may not have been addressed in detail elsewhere in this Prospectus.

These include the availability of certain relevant documents for inspection, confirmations from the Issuer and details of the listing of the Bonds.

ADDITIONAL INFORMATION

1. Listing and admission to trading of the Bonds

   Application will be made for the Bonds to be admitted to Oslo Børs. The Issuer has requested that the FCA, as the competent authority, provides a certificate of approval pursuant to the passporting provisions of FSMA.

   Oslo Børs is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments ("**MiFID**"). MiFID governs the organisation and conduct of the business of investment firms and the operation of regulated markets across the European Economic Area in order to seek to promote cross-border business, market transparency and the protection of investors.

   The Bonds were admitted to trading on the Nordic ABM on the date of this Prospectus as a temporary measure until the Bonds are admitted to trading on the Oslo Børs. Once the Bonds are admitted to the Oslo Børs, the listing on the Nordic ABM will be simultaneously and concurrently terminated.

2. Issuer's authorisation to issue the Bonds

   The issue of the Bonds was duly authorised by a written resolution of the Directors of the Issuer passed on 6 March 2013 and a resolution of a committee of the Directors of the Issuer passed on 21 March 2013.

   The Issuer has obtained all necessary consents, approvals and authorisations in England and Wales in connection with the issue and performance of the Bonds.

3. Significant or material change statement

   There has been no significant change in the financial or trading position of the Issuer or any of the Guarantors since 31 March 2013 or, in the case of Island Gas (Singleton) Limited, 31 December 2012 and there has been no material adverse change in the prospects of the Issuer or any of the Guarantors since 31 March 2013 or, in the case of Island Gas (Singleton) Limited, 31 December 2012.

4. Litigation statement

   There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or any Guarantor is aware) during the 12 month period preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer, the Group's or any Guarantor's financial position or profitability.

5. Clearing systems information and Bond security codes

   The Bonds have been issued and registered in the Securities Depository in accordance with the Norwegian Securities Depository Act (Act 2002/64) and the terms and conditions of the Securities Depository. The International Securities Identification Number for the Bond is NO0010673791. The Bonds are currently listed on the Nordic ABM with symbol "IGAS 01 PRO". The International Securities Identification Number for the Bonds will not change upon listing on he Oslo Børs.

6. Documents available for inspection

   For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer:

   (a) the memorandum and articles of association of the Issuer and each of the Guarantors;

   (b) all reports, letters and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's or any Guarantor's request any part of which is included or referred to in this Prospectus;

(c) the audited consolidated financial statements of the Issuer and the audited financial statements of the Issuer and each Guarantor that have been incorporated by reference into this Prospectus (see Annex D), in each case together with the audit reports prepared in connection therewith;

(d) the Bond Agreement, which contains the Guarantee;

(e) the Security Agreement;

(f) a copy of this Prospectus; and

(g) any future prospectuses and supplements to this Prospectus and any other documents incorporated therein by reference.

7. Auditor

The consolidated financial statements of the Issuer for the financial years ended 31 March 2012 and 2013 have been audited without qualification by Ernst & Young LLP, members of the Institute of Chartered Accountants of England and Wales, of 1 More London Place, London EC2V 7QR, United Kingdom.

8. Interests of natural and legal persons involved in the offer of the Bonds

So far as the Issuer is aware and except as already disclosed in this Prospectus at Section 7 – Description of IGas and the Group, in the paragraph entitled 'Interests of the Directors in the Bonds', no person involved in the offer of the Bonds had an interest material (including a conflicting interest) to the offer.

9. Conflicts of interest

None of the individuals named at Section 7, paragraph 7.6 above have any conflicts of interest between their duties to the Issuer or the Guarantors and their private interests.

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IMPORTANT LEGAL INFORMATION

This section contains some important legal information regarding the basis on which this Prospectus may be used, forward-looking statements and other matters.

IMPORTANT LEGAL INFORMATION

Notice to investors

The Bonds may not be a suitable investment for all investors. You must determine the suitability of any investment in light of your own circumstances. In particular, you may wish to consider, either on your own or with the help of your financial and other professional advisers, whether you:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus (and any applicable supplement to this Prospectus);

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on your overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments (US Dollar) is different from the currency which you usually use;

(d) understand thoroughly the terms of the Bonds and are familiar with the behaviour of the financial markets; and

(e) are able to evaluate possible scenarios for economic, interest rate and other factors that may affect your investment and your ability to bear the applicable risks.

No person is or has been authorised by the Issuer, the Manager or the Bond Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Manager or the Bond Trustee.

The publication of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of this Prospectus or that there has been no adverse change in the financial position of the Issuer since the date of this Prospectus or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Manager nor the Bond Trustee undertake to review the financial condition or affairs of the Issuer during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds should be considered as a recommendation by the Issuer, the Manager or the Bond Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this Prospectus and any purchase of Bonds should be based upon such investigation as it deems necessary.

The Manager and the Bond Trustee

Neither the Manager nor the Bond Trustee has independently confirmed the information contained in this Prospectus. No representation, warranty or undertaking, express or implied, is made by the Manager or the Bond Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Bonds. Neither the Manager nor the Bond Trustee accepts liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Bonds or their distribution.

The Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.

No incorporation of websites

The contents of the websites of the Group do not form part of this Prospectus, and you should not rely on them.

Forward-looking statements

This Prospectus includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking expressions, including the terms 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', or 'should' or, in each case, their negative or other variations or similar expressions, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, the following: statements regarding the intentions, beliefs or current expectations of the Issuer and the Group concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Group operates.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations, financial condition and liquidity, and the development of the countries and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the results of operations, financial condition and liquidity, and the development of the countries and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. These and other factors are discussed in more detail under Section 2 (Risk Factors) and Section 7 (Description of IGas and the Group). Many of these factors are beyond the control of the Issuer and the Group. Should one or more of these risks or uncertainties materialise, or should underlying assumptions on which the forward-looking statements are based prove incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated or expected. Except to the extent required by laws and regulations, the Issuer does not intend, and does not assume any obligation, to update any forward-looking statements set out in this Prospectus.

This Prospectus is based on English law in effect as of the date of issue of this Prospectus. Except to the extent required by laws and regulations, the Issuer does not intend, and does not assume any obligation, to update the Prospectus in light of the impact of any judicial decision or change to English law or administrative practice after the date of this Prospectus.

This Prospectus does not constitute or form part of an offer to sell, or the solicitation of an offer to buy, Bonds to any person in any jurisdiction. This Prospectus is not for distribution in the United States, Australia, Canada or Japan. The Bonds have not been and will not be registered under the U.S. Securities Act or qualified for sale under the laws of the United States or under any applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons.

The distribution of this Prospectus and the offer or sale of the Bonds in certain jurisdictions may be restricted by law. No action has been or will be taken by the Issuer, the Manager or the Bond Trustee anywhere which is intended to permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction. You must inform yourself about, and observe, any such restrictions.

A

APPENDIX A

DEFINED TERMS INDEX

The following is an index that indicates the location in this Prospectus where certain capitalised terms have been defined.

All references in this Prospectus to "**sterling**" and "**£**" refer to the lawful currency of the United Kingdom. All references in this Prospectus to "**USD**" and "**$**" are to the lawful currency of the United States of America. All references in this Prospectus to "**Krone**" and "**NOK**" refer to the lawful currency of Norway. All references in this Prospectus to "**Euro**" and "**€**" refer to the single European currency.

References to the singular in this document must include the plural and vice versa, where the context so requires. The terms "**subsidiary**" and "**subsidiary undertaking**" have the meanings given to them under section 1159 of the Companies Act 2006. All references to time in this Prospectus are to London time.

B

APPENDIX B

TERMS AND CONDITIONS OF THE BONDS UNDER THE BOND AGREEMENT

TERMS AND CONDITIONS OF THE BONDS

The issue of the Bonds was duly authorised by a resolution of the Directors of IGas passed on 6 March 2013 and a resolution of a committee of the Directors of IGas passed on 21 March 2013. The Bonds are constituted by a Bond Agreement (the "**Bond Agreement**") dated 21 March 2013 between the Issuer and Norsk Tillitsmann ASA as Bond Trustee for the Bondholders. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Bond Agreement. A copy of the Bond Agreement is available for inspection during usual business hours at the principal office of the Bond Trustee and IGas' registered office. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Bond Agreement.

1. Form, Denomination and Title

   (a) Form and denomination: The Bonds are issued in book-entry form in the Securities Depository in the denomination of USD 1.00 each.

   (b) Title: Title to the Bonds passes only by registration with the Securities Depositary.

2. Status

   The Bonds constitute senior debt obligations of the Issuer. The Bonds rank at least pari passu with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application) and must rank ahead of subordinated debt. The Bonds, including accrued but unpaid interest, costs and expenses, are secured by the Bond Security and the Guarantee.

3. Covenants

   (a) Negative Pledge: The Issuer must not, and must ensure that no Group company must, create, permit to subsist or allow to exist any mortgage, pledge, lien or any other encumbrance over any of its present or future respective assets (including shares in the Subsidiaries) or its revenues, other than: (a) the Security for the Bonds; (b) any lien arising by operation of law or in the Business; (c) any netting or set-off arrangement entered into by a member of the Group in the ordinary course of its banking arrangement for the purpose of netting debit and credit balances of members of the Group; (d) any Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to a member of the Group in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by any member of the Group; (e) any Security over cash balances securing Financial Indebtedness incurred in the Ordinary Course of Business, not exceeding in aggregate USD 1,500,000 (or its equivalent in other currencies); and (f) any cash collateral in respect of any Permitted Hedging.

   (b) Hedging: The Issuer undertakes to enter into hedging arrangements with a Permitted Hedge Counterparty within 6 months of the Issue Date, based on the following hedging principles: hedging between 60% and 75% of its budgeted production of hydrocarbons on a rolling basis and an appropriate level of hedging will be denominated in GBP to cover operating expenses ("**Permitted Hedging**"). Such new Permitted Hedging to be notified in writing to the Bond Trustee and to be secured by cash collateral only.

   (c) Financial Covenants: the Issuer must ensure that the Group, on a consolidated basis, at any time:

      (i) Liquidity: maintains Liquidity of minimum USD 15 million;

      (ii) Debt Assets Ratio: maintains Debt to Assets Ratio of not more than 0.6;

      (iii) Interest Coverage Ratio: maintains an Interest Coverage Ratio of not less than 2.0; and

      (iv) Leverage Ratio: maintains a Leverage Ratio of not more than 4.

(d) Compliance with the financial covenants in Condition 3(c) above must be measured on each Reporting Date by reference to the applicable interim or annual financial statements, commencing with the Relevant Period ending on 30 September 2013.

(e) Equity cure: If the Issuer fails (or would otherwise fail) to comply with any of the financial covenants in Condition 3(c) above for any Relevant Period, and within 25 Business Days of delivery of the Compliance Certificate for that Relevant Period, the Issuer receives net cash proceeds from any New Shareholder Injections (a "**Cure Amount**"), then the applicable financial covenant must be recalculated giving effect to the following pro forma adjustments as relevant by:

(i) reducing Total Interest Bearing Debt by the Cure Amount; and

(ii) recalculating Net Interest Cost for the Relevant Period and the following Relevant Period, as if the Cure Amount had been applied in prepayment of the Bonds at the beginning of the Relevant Period (such period the "**First Relevant Period**") and interest accruing on the Bonds during the First Relevant Period had been decreased by an amount equal to the interest which would have accrued on the amount deemed to have been prepaid over the First Relevant Period (such reduction to have effect also for the next Relevant Period, as if the Cure Amount was applied in prepayment of the Bonds at the beginning of the First Relevant Period).

A Cure Amount can only result in an adjustment once, so that if a Cure Amount is to be given effect for a following Relevant Period (and not just the First Relevant Period), then this will be done by continuing the adjusted number, but without further adjustment for the same Cure Amount.

If, after giving effect to the foregoing recalculations, the Issuer is in compliance with all the financial covenants, the Issuer must be deemed to have satisfied the requirements of the financial covenants as of the relevant original date of determination as though there had been no failure to comply with such requirement, and the breach of the applicable financial covenants which had occurred must be deemed to have been cured.

(f) Financial Definitions: In this Condition 3:

"**Debt to Asset Ratio**" means the ratio of Total Interest Bearing Debt to Total Assets.

"**EBITDA**" means, for any Relevant Period, the aggregate earnings before interest, taxes, depreciation and amortisation and:

(i) excluding any 'non-cash' items, including mark to market of oil price swaps (or similar derivatives), interest rate swaps, currency swaps, impairment of accounts receivables or fixed assets and warrant revaluations and the charge to profit by the expensing of stock options and warrants;

(ii) including EBITDA of a member of the Group for the Relevant Period (or attributable to a business or assets acquired during the Relevant Period) prior to its becoming a member of the Group or as the case may be prior to the acquisition of the business or assets;

(iii) excluding EBITDA attributable to any member of the Group (or to any business or assets) disposed of during the Relevant Period; and

(iv) excluding all fees, costs and expenses, stamp, registration and other taxes incurred in connection with any acquisition limited up to USD 3,000,000 (or the equivalent thereof in any other currency) in any Relevant Period.

"**Interest Coverage Ratio**" means the ratio of EBITDA to Net Interest Cost. "Leverage Ratio" means the ratio of Total Interest Bearing Debt to EBITDA. "Liquidity" means the aggregate book value of the freely available and unrestricted cash and cash equivalents.

"**Net Interest Cost**" means the aggregate gross cash interest costs related to the Total Interest Bearing Debt (including the interest rate component of any financial lease), less the aggregate gross cash interest income for any Relevant Period.

"**New Shareholder Injections**" means the aggregate amount of equity contributed and paid in by any person (other than a member of the Group) for new shares.

"**Relevant Period**" means each period of twelve months ending on a Reporting Date. "Reporting Date" means each 31 March and 30 September.

"**Total Assets**" means, at any time, the aggregate book value of those assets which according to GAAP should be included as assets in the balance sheet.

"**Total Interest Bearing Debt**" means, at any time, the outstanding principal amount of any interest bearing Financial Indebtedness.

(g) Information Covenants: The Issuer must: (i) without being requested to do so, promptly inform the Bond Trustee, and the Bondholders through the Norwegian Central Securities Depository (VPS) in writing of any Event of Default, any event or circumstance which could reasonably be expected to lead to an Event of Default and any other event which could reasonably be expected to have a Material Adverse Effect; (ii) without being requested to do so, inform the Bond Trustee, and Bondholders through the Norwegian Central Securities Depository (VPS), in writing if the Issuer agrees to sell or dispose of all or a substantial part of its assets or operations, or change the nature of its business; (iii) without being requested to do so, prepare Financial Statements and make them available on its website in the English language (alternatively by arranging for publication at Stamdata), as well as inform the Bond Trustee, as soon as they become available, and not later than 120 days after the end of the financial year. The Issuer also agrees to publish its preliminary financial results within 90 days of the relevant year end with effect from 2014; (iv) without being requested to do so, prepare Interim Accounts and make them available on its website in the English language (alternatively by arranging for publication on Stamdata) as soon as they become available, and not later than 90 days after the end of each financial half-year; (v) at the request of the Bond Trustee, report the balance of the Issuer's Bonds; (vi) without being requested to do so, send the Bond Trustee copies of any statutory creditors' notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity; (vii) if the Bonds are listed on an exchange, without being requested to do so, send a copy to the Bond Trustee of its notices to the Exchange; (viii) if the Issuer and/or the Bonds are rated, without being requested to do so, inform the Bond Trustee of its and/or the rating of the Bond Issue, and any changes to such rating; (ix) without being requested to do so, inform the Bond Trustee of changes in the registration of the Bonds in the Securities Depository; and (x) within a reasonable time, provide such information about the Issuer's business, assets and financial condition as the Bond Trustee may reasonably request.

"**Securities Depositary**" means the securities depository in which the Bond Issue is registered, being Verdipapirsentralen ASA (VPS) in Norway.

(h) The Issuer must in connection with the publication of its financial reports under Condition 3(g)(iii) and (iv) above, confirm to the Bond Trustee in writing the Issuer's compliance with the covenants in this Condition (h), unless the Bond Trustee explicitly waives such requirement. Such confirmation must be undertaken in a certificate, substantially in the form set out in the Bond Agreement, signed by the Chief Executive Officer or Chief Financial Officer of the Issuer (a "**Compliance Certificate**"). In the event of non-compliance, the Compliance Certificate must describe the non-compliance, the reasons therefore as well as the steps which the Issuer has taken and will take in order to rectify the non-compliance.

(i) Definitions:

In these Conditions:

"**Account Manager**" means a Bondholder's account manager in the Securities Depository.

"**Bond Issue**" means the bond issue constituted by the Bonds.

"**Bond Security**" means:

(a) the Escrow Account Pledge;

(b) fixed charge over all shares in the Subsidiaries;

(c) fixed charge over all Material Contracts;

(d) fixed charge over all Hydrocarbon Licenses;

(e) fixed charge over Hydrocarbon Machinery and Plant;

(f) fixed charge over claims under Insurances related to Hydrocarbon Licenses, Hydrocarbon Real Estate or other material assets;

(g) fixed charge over Earnings Accounts;

(h) fixed charge over Hydrocarbon Real Estate;

(i) floating charge over any Earnings;

(j) fixed charge over all claims under intercompany loans between Group Companies; and

(k) floating charge over each of the assets listed at (a) to (h) and (j) above and all other assets.

"**Bondholder**" means a holder of Bond(s), as registered in the Securities Depository, from time to time.

"**Bondholders' Meeting**" means a meeting of Bondholders pursuant to the Bond Agreement.

"**Business Day**" means any day on which Norwegian banks are open for general business, and when Norwegian banks can settle foreign currency transactions and the Norwegian Central Bank's Settlement System is open.

"**Business Day Convention**" means that no adjustment will be made, notwithstanding the Payment Date occurs on a day that is not a Business Day, and if such date is not a Business Day, payments of interest and/or principal (as the case may be) will be made on the first following day that is a Business Day (No Adjustments of Business Day).

"**Call Option**" has the meaning set out in Condition 5(b) below.

"**Change of Control Event**" means if and when any person or a group of persons acting in concert (as defined in the UK Code on Takeovers and Mergers), becomes the owner, directly or indirectly, of 30% or more of the outstanding shares and/or voting rights of the Issuer.

“**Earnings**” means all moneys whatsoever which are now, or later become, payable (actually or contingently) to any Group company in respect of the production, sale or any other kind of transfer of hydrocarbons.

“**Earnings Account**” means any account of any Group company to which the Earnings of that Group company are to be paid.

“**Event of Default**” means the occurrence of an event or circumstance specified in paragraph 8 below.

“**Escrow Account Pledge**” means a pledge over the Escrow Account governed by Norwegian law, in respect of which the bank operating the account has waived any set-off rights.

“**Exchange**” means Oslo Stock Exchange or Oslo Alternative Bond Market.

“**Finance Documents**” means (i) the Bond Agreement; (ii) the Fee Arrangement (as described at Section 7 – Material contracts relating to IGas and the Group of the Prospectus); (iii) all documents evidencing, creating or granting the Bond Security; (iv) any document executed in relation to the granting of any Security to the Bond Trustee under the Finance Documents; and (v) any other document (whether creating a Security or not) which is executed at any time by the Issuer or any other person in relation to any amount payable under the Bond Agreement.

“**Financial Indebtedness**” has the same meaning as Condition 8(d) of Section 1 – Summary.

“**Financial Statements**” means the audited consolidated annual financial statements of the Issuer for any financial year, including the audited annual financial statements of the Issuer on a stand-alone basis, drawn up according to GAAP, such accounts to include a profit and loss account, balance sheet, cash flow statement and report from the Directors.

“**Fixed Rate”** must have the meaning given to it in Condition 4 below.

“**GAAP**” means the generally accepted accounting practice and principles in the country in which the Issuer is incorporated including, if applicable, the International Financial Reporting Standards and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

“**Guarantee**” means an unconditional on-demand guarantee on a joint and several basis from the Guarantors pursuant to the Bond Agreement, securing the Issuer’s obligations under the Bond Agreement and any other Finance Document, including interest, costs and expenses.

“**Guarantors**” means each member of the Group (except Star Energy Oil UK Limited) and any other company subsequently becoming a subsidiary and acceding to the Bond Agreement.

“**Hydrocarbon Assets**” means, at any time, all hydrocarbon (oil and/or gas) fields owned or held by any Group company.

“**Hydrocarbon Licenses**” means all permits, licenses, authorisations, consent, registrations, exemptions, certificates, notifications or other documents issued by any regulatory authority in United Kingdom and/or required by any applicable law or regulation in any part of the United Kingdom in connection with the exploration and exploitation of any Hydrocarbon Assets, in valid form, duly issued under the relevant law by the relevant regulatory authority.

“**Hydrocarbon Machinery and Plant**” means any machinery, equipment, movable property, pipelines and facilities owned by any Group company and utilised in connection with the development, production, generation, processing, treatment, storage and transportation of hydrocarbons from a Hydrocarbon Asset.

"**Hydrocarbon Real Estate**" means any land, building or structure, including any item permanently attached to such land, building or structure, which contains Hydrocarbon Assets or is intended for the development, production, generation, processing, treatment and storage of hydrocarbons and is owned by any Group company.

"**Insurances**" means any insurance from time to time taken out by or on behalf of any Group company in respect of its assets and activities.

"**Interest Payment Date**" means 22 March and 22 September each year and the Maturity Date. Any adjustment will be made according to the Business Day Convention.

"**Interim Accounts**" means the unaudited consolidated semi-annual financial statements of the Issuer for the semi-annual period ending on 30 September each year, drawn up according to GAAP.

"**Issue Date**" means 22 March 2013.

"**Issuer's Bonds**" means any Bonds owned by the Issuer, any person or persons who has Decisive Influence over the Issuer, or any person or persons over whom the Issuer has Decisive Influence.

"**Legal Reservations**" means any matters which are set out as qualifications or reservations as to matters of law of general application in any legal opinions delivered to the Bond Trustee pursuant to the Bond Agreement.

"**Material Adverse Effect**" means a material adverse effect on: (a) the business, financial condition or operations of the Issuer or the Obligors (if Obligors, taken as a whole); (b) the Issuer's or the Obligors' (if Obligors, taken as a whole) ability to perform and comply with its or their obligations under any of the Finance Documents; or (c) subject to Legal Reservations, the validity or enforceability of any of the Finance Documents.

"**Material Contracts**" means the agreements listed in the Bond Agreement.

"**NOK**" means Norwegian kroner, being the lawful currency of Norway.

"**Obligors**" means the Issuer and any Guarantor.

"**Ordinary Course of Business**" means the exploration, development and production of Hydrocarbon Assets.

"**Outstanding Bonds**" means the Bonds not redeemed or otherwise discharged.

"**Payment Date**" means a date for payment of principal or interest under the Bond Agreement.

"**Permitted Hedging**" has the meaning given to it in Condition 3(b) above.

"**Security**" means any encumbrance, mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Stamdata**" means the web site www.stamdata.no, maintained by the Bond Trustee.

4. Interest

The Issuer must pay interest on the par value of the Bonds from, and including, the Issue Date at a fixed rate of ten per cent. (10%) per annum (the "**Fixed Rate**").

The day count fraction ("**Fixed Rate Day Count Fraction**") in respect of the calculation of the payable interest amount must be "30/360", which means that the number of days in the calculation period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-days months (unless (i) the last day of the calculation period is the 31st day of a month but the first day of the calculation period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day must not be considered to be shortened to a 30-day month, or (ii) the last day of the calculation period is the last day of the month of February, in which case the month of February must not be considered to be lengthened to a 30-day month)).

The payable interest amount per Bond for a relevant calculation period must be calculated as follows:

Interest Amount	=	Face Value	x	Fixed Rate	x	Fixed Rate Day Count Fraction

Interest payments must be made in arrears on the Interest Payment Dates each year, the first Interest Payment Date being September 2013.

The relevant interest payable amount must be calculated based on a period from, and including, the Issue Date or one Interest Payment Date to, but excluding, the next following applicable Interest Payment Date.

5. Redemption and Purchase

(a) Final redemption: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their nominal amount on 22 March 2013 (the "**Maturity Date**").

(b) The Issuer may redeem the Bond Issue (in full or in part) as follows (such right being the "**Call Option"**):

(i) at any time from the Interest Payment Date in March 2016 to, but not included, the Interest Payment Date in March 2017 at 105 per cent. of par plus accrued interests on redeemed amount; and

(ii) at any time from the Interest Payment Date in March 2017 to, but not included, the Maturity Date at 103 per cent. of par plus accrued interests on redeemed amount.

Exercise of the Call Option must be notified by the Issuer in writing to the Bond Trustee and the Bondholders at least 30 Business Days prior to the settlement date of the Call Option.

Partial redemption must be carried out *pro rata* (in accordance with the procedures of the Securities Depository).

On the settlement date of the Call Option, the Issuer must pay to each of the Bondholders holding Bonds to be redeemed, in respect of each such Bond, the principal amount of such Bond (including any premium as stated above) and any unpaid interest accrued up to the settlement date.

Bonds redeemed by the Issuer in accordance with the Bond Agreement will be discharged against the Outstanding Bonds.

(c) Redemption at the option of the Bondholders upon a Change of Control Event:

Upon the occurrence of a Change of Control Event, each Bondholder must have the right to require that the Issuer redeems its Bonds (a "**Put Option**") at a price of 100% of par plus accrued interest.

The Put Option must be exercised within one month after the Issuer has given notification to the Bond Trustee of a Change of Control Event. Such notification must be given as soon as possible after a Change of Control Event has taken place.

The Put Option may be exercised by each Bondholder by giving written notice of the request to its Account Manager. The Account Manager must notify the Paying Agent of the redemption request. The settlement date of the Put Option must be the third Business Day after the end of the one month exercise period of the Put Option.

On the settlement date of the Put Option, the Issuer must pay to each of the Bondholders holding Bonds to be redeemed, the principal amount of each such Bond (including any premium pursuant to the Bond Agreement) and any unpaid interest accrued up to (but not including) the settlement date.

6. Payments

6.1 Covenant to pay: The Issuer will on any Payment Date (or any other due date pursuant to any Finance Document) unconditionally pay to or to the order of the Bond Trustee all amounts due under the Bond Agreement or any other Finance Document.

This covenant is for the benefit of the Bond Trustee and the Bondholders.

6.2 Payment mechanics: If no specific order is made by the Bond Trustee under the Bond Agreement, the Issuer must (through the Paying Agent) pay all amounts due to the Bondholders under the Bond Agreement or any other Finance Document by crediting the bank account nominated by each Bondholder in connection with its securities account in the Securities Depository.

Payment will be deemed to have been made once the amount has been credited to the bank which holds the bank account nominated by the Bondholder in question, but if the paying bank and the receiving bank are the same, payment will be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question.

In case of irregular payments, the Bond Trustee may instruct the Issuer or Bondholders of other payment mechanisms than described above. The Bond Trustee may also obtain payment information regarding Bondholders' accounts from the Securities Depository or Account Managers.

Subject to the provisions of Condition 6.3 below, payment by the Issuer in accordance with this paragraph will constitute good discharge of its obligations under the Bond Agreement.

6.3 Currency: If the Bonds are denominated in other currencies than NOK, each Bondholder has to provide the Paying Agent (either directly or through its Account Manager) with specific payment instructions, including foreign exchange bank account details. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, cash settlement may be delayed, and payment must be deemed to have been made at the date of the cash settlement, provided however, that no default interest or other penalty must accrue for the account of the Issuer.

Except as otherwise expressly provided, all amounts payable under the Bond Agreement and any other Finance Document must be payable in the same currency as the Bonds are denominated in. If, however, the Bondholder has not given instruction within five Business Days prior to a Payment Date, the cash settlement will be exchanged into NOK and credited to the NOK bank account registered with the Bondholder's account in the Securities Depository.

Amounts payable in respect of costs, expenses, taxes and other liabilities of a similar nature must be payable in the currency in which they are incurred.

6.4 Set-off and counterclaims: No Obligor may apply or perform any counterclaims or set-off against any payment obligations pursuant to the Bond Agreement or any other Finance Document.

6.5 Interest in the event of late payment: In the event that any amount due under the Bond Agreement or any Finance Document is not made on the relevant due date, the unpaid amount must bear interest from the due date at an interest rate equivalent to the interest rate according to Condition 4 above, plus five per cent. (5.00) per annum.

The interest charged under this paragraph must be added to the defaulted amount on each respective Interest Payment Date relating thereto until the defaulted amount has been repaid in full.

The unpaid amounts must bear interest as stated above until payment is made, whether or not the Bonds are declared to be in default pursuant to the Bond Agreement.

6.6 Partial payments: If the Bond Trustee or the Paying Agent receives a payment that is insufficient to discharge all the amounts then due and payable under the Finance Documents, that payment must be applied in the following order:

(a) first, in or towards payment of any unpaid fees, costs and expenses of the Bond Trustee under the Finance Documents;

(b) secondly, in or towards payment of any accrued interest due but unpaid under the Bond Agreement, *pro rata* and without any preference or priority of any kind; and

(c) thirdly, in or towards payment of any principal due but unpaid under the Bond Agreement, *pro rata* and without any preference or priority of any kind.

7. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds must be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer must pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts must be payable in respect of any Bond:

(a) Other connection: the holder of which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the United Kingdom other than the mere holding of the Bond; or

(b) Presentation more than 30 days after the Relevant Date: presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Bond for payment on the last day of such period of 30 days (assuming, whether or not such is in fact the case, that day to have been a Presentation Day); or

(c) Payment to individuals: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) Payment by another Paying Agent: presented for payment by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent in a Member State of the European Union

"**Relevant Date**" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Principal Paying Agent or the Bond Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect must have been given to the Bondholders.

Any reference in these Conditions to principal, and/or interest must be deemed to include any additional amounts which may be payable under this Condition 7 or any undertaking given in addition to or substitution for it under the Bond Agreement.

8. Events of Default

The Bond Trustee may declare the Bonds to be in default upon occurrence of any of the following events:

(a) Non-payment: The Issuer fails to fulfil any payment obligation due under the Bond Agreement or any Finance Document when due, unless, in the opinion of the Bond Trustee, it is likely that such payment will be made in full within five Business Days following the original due date.

(b) Breach of other obligations: Any Obligor does not comply with any provision pursuant to this Prospectus or any other Finance Document, unless, in the opinion of the Bond Trustee, such failure is capable of being remedied and is remedied within ten (10) Business Days after notice thereof is given to the Issuer by the Bond Trustee.

(c) Cross default: If for any Obligor:

(i) any Financial Indebtedness is not paid when due nor within any originally applicable grace period;

(ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);

(iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or

(iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

always provided that a threshold in the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above of a total of USD 5 million, or the equivalent thereof in other currencies, must apply.

(d) Misrepresentations: Any representation, warranty or statement (including statements in Compliance Certificates) made under the Bond Agreement or any other Finance Document or in connection therewith is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made.

(e) Insolvency:

(i) Any Obligor is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

(ii) A moratorium is declared in respect of any indebtedness of Obligor.

(f) Insolvency proceedings and dissolution: If for any Obligor, any corporate action, legal proceedings or other procedural step is taken in relation to:

(i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than solvent liquidation or reorganisation;

(ii) a composition, compromise, assignment or arrangement with any creditor, having an adverse effect on the Issuer's ability to perform its payment obligations hereunder;

(iii) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or

(iv) its dissolution,

or any analogous procedure or step is taken in any jurisdiction.

This Condition 8 does not apply to any winding-up petition or analogous action or procedure which is frivolous or vexatious and is discharged, stayed or dismissed within 14 days of its commencement.

(g) Creditors' process: Any Obligor has assets exceeding USD 1 million in value impounded, confiscated, attached or subject to distraint, or is subject to enforcement of any Security over any of its assets.

(h) Impossibility or illegality: It is or becomes impossible or unlawful for any Obligor to fulfil or perform any of the terms of any Finance Document to which it is a party.

(i) Material Adverse Change: Any other event or circumstance occurs which, in the reasonable opinion of the Bond Trustee, after consultations with the Issuer, would have a Material Adverse Effect.

In the event that one or more of the circumstances mentioned in this Condition 8 occurs and is continuing, the Bond Trustee can, in order to protect the interests of the Bondholders, declare the Outstanding Bonds including accrued interest, costs and expenses to be in default and due for immediate payment.

The Bond Trustee may at its discretion, take every measure necessary to recover the amounts due under the Outstanding Bonds, and all other amounts outstanding under the Bond Agreement and any other Finance Document.

In the event that one or more of the circumstances mentioned in this Condition 8 occurs and is continuing, the Bond Trustee will declare the Outstanding Bonds including accrued interest, costs and expenses to be in default and due for immediate payment if:

(i) the Bond Trustee receives a demand in writing that a default must be declared from Bondholders representing at least 1/5 of the Voting Bonds, and the Bondholders' Meeting has not decided on other solutions; or

(ii) the Bondholders' Meeting has with simple majority decided to declare the Outstanding Bonds in default and due for payment.

In either case the Bond Trustee must take every measure necessary to recover the amounts due under the Outstanding Bonds.

In the event that the Bond Trustee declares the Outstanding Bonds to be in default and due for payment, the Bond Trustee must immediately deliver to the Issuer a notice demanding payment of interest and principal due to the Bondholders under the Outstanding Bonds including accrued interest and interest on overdue amounts and expenses. The claim derived from the Outstanding Bonds due for payment as a result of an Event of Default must be calculated at the prices set out in Condition 5 above.

9. Limitation of claims

All claims under the Bonds and the Bond Agreement for payment, including interest and principal, must be subject to the time-bar provisions of the Norwegian Limitation Act of May 18, 1979 No. 18.

10. Meetings of Bondholders, Modification, Waiver and Substitution

Authority of Bondholders Meetings:

(a) The Bondholders' Meeting represents the supreme authority of the Bondholders community in all matters relating to the Bonds, and has the power to make all decisions regarding the altering of the Conditions of the Bonds, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.

(b) The Bondholders' Meeting cannot resolve that any overdue payment of any instalment must be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) must be reduced without a corresponding reduction of principal.

(c) If a resolution by or an approval of the Bondholders is required, such resolution must be passed at a Bondholders' Meeting. Resolutions passed at Bondholders' Meetings must be binding upon all Bondholders and prevail for all the Bonds.

Procedural rules for Bondholders' meetings:

(a) A Bondholders' Meeting must be held at the written request of:

(i) the Issuer;

(ii) Bondholders representing at least 1/10 of the Voting Bonds;

(iii) the Exchange, if the Bonds are listed; or

(iv) the Bond Trustee.

"**Voting Bonds**" means the Outstanding Bonds less the Issuer's Bonds.

"**Decisive Influence**" means a person having, as a result of an agreement or through the ownership of shares or interests in another person:

(a) a majority of the voting rights in that other person; or

(b) a right to elect or remove a majority of the members of the board of directors of that other person.

When determining the relevant person's number of voting rights in the other person or the right to elect and remove members of the board of directors, rights held by the parent company of the relevant person and the parent company's subsidiaries must be included.

(b) The Bondholders' Meeting must be summoned by the Bond Trustee. A request for a Bondholders' Meeting must be made in writing to the Bond Trustee, and must clearly state the matters to be discussed.

(c) If the Bond Trustee has not summoned a Bondholders' Meeting within ten Business Days after having received a valid request, then the requesting party may summons the Bondholders' Meeting itself.

(d) The notice of a Bondholders' Meeting must be dispatched no later than ten Business Days prior to the date of the Bondholders' Meeting. The notice and a confirmation of each Bondholder's holdings of Bonds must be sent to all Bondholders registered in the Securities Depository at the time of distribution. The notice must also be sent to the Exchange for publication if the Bonds are listed.

(e) The summons must specify the agenda of the Bondholders' Meeting. The Bond Trustee may in the summons also set out other matters on the agenda than those requested. If amendments to the Bond Agreement have been proposed, the main content of the proposal must be stated in the summons.

(f) The Bond Trustee may restrict the Issuer from making any changes in the number of Voting Bonds in the period from distribution of the summons until the Bondholders' Meeting, by serving notice to it to such effect.

(g) Matters that have not been reported to the Bondholders in accordance with the procedural rules for summoning of a Bondholders' Meeting may only be adopted with the approval of all Voting Bonds.

(h) The Bondholders' Meeting must be held on premises designated by the Bond Trustee. The Bondholders' Meeting must be opened and must, unless otherwise decided by the Bondholders' Meeting, be chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting must be opened by a Bondholder, and be chaired by a representative elected by the Bondholders' Meeting.

(i) Minutes of the Bondholders' Meeting must be kept. The minutes must state the numbers of Bondholders and Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the result of the voting. The minutes must be signed by the chairman and at least one other person elected by the Bondholders' Meeting. The minutes must be deposited with the Bond Trustee and must be available to the Bondholders.

(j) The Bondholders, the Bond Trustee and, provided the Bonds are listed, representatives of the Exchange, have the right to attend the Bondholders' Meeting. The chairman may grant access to the meeting to other parties, unless the Bondholders' Meeting decides otherwise. Bondholders may attend by a representative holding proxy. Bondholders have the right to be assisted by an advisor. In case of dispute the chairman must decide who may attend the Bondholders' Meeting and vote for the Bonds.

"**Exchange**" means the Oslo Stock Exchange or Oslo Alternative Bond Market.

(k) Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders' Meeting may resolve that the Issuer's representatives may not participate in particular matters, provided, however, that the Issuer must always have the right to be present when the votes are cast.

Resolutions passed at Bondholders' Meetings:

(a) At the Bondholders' Meeting each Bondholder may cast one vote for each Voting Bond owned at close of business on the day prior to the date of the Bondholders' Meeting in accordance with the records registered in the Securities Depository. The Bond Trustee may, at its sole discretion, accept other evidence of ownership. Whoever opens the Bondholders' Meeting must adjudicate any question concerning which Bonds must count as the Issuer's Bonds. The Issuer's Bonds must not have any voting rights.

For this purpose, a Bondholder that has a Bond that is nominee registered must be deemed as the Bondholder of such Bond (instead of the nominee) provided that the Bondholder presents relevant evidence stating that the relevant Bondholder is the Bondholder of the Bond and the amount of Bonds held by such Bondholder.

(b) In all matters, the Issuer, the Bond Trustee and any Bondholder have the right to demand vote by ballot. In case of parity of votes, the chairman must have the deciding vote, regardless of the chairman being a Bondholder or not.

(c) In order to form a quorum, at least half (1/2) of the Voting Bonds must be represented at the meeting, see however 'Repeated Bondholders' meeting' below. Even if less than half (1/2) of the Voting Bonds are represented, the Bondholders' Meeting must be held and voting completed.

(d) Resolutions must be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in (e) of this Condition, below.

(e) A majority of at least two thirds (2/3) of the Voting Bonds represented at the Bondholders' Meeting is required in order to make decisions regarding any waiver or amendment of any terms of the Bond Agreement.

(f) The Bondholders' Meeting may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.

(g) The Bond Trustee must ensure that resolutions passed at the Bondholders' Meeting are properly implemented, however, the Bond Trustee may refuse to carry out resolutions being in conflict with the Bond Agreement (or any other Finance Document) or any applicable law.

(h) The Issuer, the Bondholders and the Exchange must be notified of resolutions passed at the Bondholders' Meeting.

Repeated Bondholders' meeting:

(a) If the Bondholders' Meeting does not form a quorum pursuant to (c) above, a repeated Bondholders' Meeting may be summoned to vote on the same matters. The attendance and the voting result of the first Bondholders' Meeting must be specified in the summons for the repeated Bondholders' Meeting.

(b) A valid resolution may be passed at a repeated Bondholders' meeting even though less than half (1/2) of the Voting Bonds are represented.

(c) Modification and Waiver: The Bond Trustee may agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Bond Agreement that is in the opinion of the Bond Trustee of a formal, minor or technical nature or is made to correct a manifest error or an error which, in the opinion of the Bond Trustee, is proven, and (ii) any other modification (except as mentioned in the Bond Agreement), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Bond Agreement that is in the opinion of the Bond Trustee not materially prejudicial to the interests of the Bondholders, except as set out in the Bond Agreement. Any such modification, authorisation or waiver must be binding on the Bondholders and, if the Bond Trustee so requires, such modification must be notified to the Bondholders as soon as practicable.

12. Enforcement

The Bond Trustee (on behalf of the Bondholders) may take such action as they in their own discretion may consider appropriate against any other person or parties and securities to recover moneys due and payable in respect of the Guaranteed Obligations.

13. Indemnification of the Bond Trustee

The Bond Agreement contains provisions for the indemnification of the Bond Trustee. If any of the Guaranteed Obligations is or becomes unenforceable, invalid or illegal, each Guarantor will indemnify the Trustee (on behalf of the Bondholders) immediately on demand against any cost, loss or liability suffered by the Bond Trustee (on behalf of the Bondholders). The amount of the cost, loss or liability must be equal to the amount which the Bond Trustee (on behalf of the Bondholders) would otherwise have been entitled to recover. The amount payable by the Guarantors under this indemnity will in no event exceed the amount it would have had to pay under the Bond Agreement.

"**Guaranteed Obligations**" means guarantees to the Bond Trustee (on behalf of the Bondholders) as and for its own debt and not merely as surety the due and punctual performance by each of the Obligors of all of their respective obligations under the Finance Documents.

14. Governing Law

(a) The Bond Agreement and all disputes arising out of, or in connection with it between the Bond Trustee, the Bondholders and any Obligor, must be governed by Norwegian law.

(b) All disputes arising out of, or in connection with the Bond Agreement between the Bond Trustee, the Bondholders and any Obligor, must, subject to paragraph (c) below be exclusively resolved by the courts of Norway, with the District Court of Oslo as sole legal venue.

(c) Paragraph (b) above is for the benefit of the Bond Trustee only. As a result, the Bond Trustee must not be prevented from taking proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, the Bond Trustee may take concurrent proceedings in any number of jurisdictions.

C

APPENDIX C

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN BOOK ENTRY FORM

The following is a summary of certain provisions relating to bonds held in book entry form.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN BOOK ENTRY FORM

BOOK-ENTRY FORM

We have obtained the information in this section concerning The Norwegian Central Securities Depositary (*Verdipapirsentralen ASA*), or "VPS" and Euroclear Bank S.A./N.V., as operator of the Euroclear System, or "Euroclear," and the book-entry system and procedures from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

VPS

The VPS is Norway's paperless centralised securities registry operation. It is a computerised bookkeeping system that is operated by VPS in which the ownership of, and all transactions relating to, Norwegian listed securities must be recorded.

All transactions relating to securities registered with the VPS are made through computerised book entries. No physical bond certificates are or can be issued. The VPS confirms each entry by sending a transcript to the registered bondholder regardless of beneficial ownership. To effect these entries, the individual bondholder must establish a securities account with a Norwegian account agent. Norwegian banks, the Central Bank of Norway, authorised investment firms in Norway, bond issuing mortgage companies, management companies for securities funds (insofar as units in securities funds they manage are concerned) and Norwegian branches of credit institutions established within the European Economic Area are allowed to act as account agents.

The entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or a third-party claiming an interest in the subject security. The VPS is strictly liable for any loss resulting from an error in connection with registering, altering or cancelling a right, except in the event of contributory negligence, in which event compensation owed by the VPS may be reduced or withdrawn. A transferee or assignee of bonds may not exercise the rights of a bondholder with respect to his or her bonds unless that transferee or assignee has registered his or her bondholding or has reported and shown evidence of such bondholding and the acquisition of such bonds is not prevented by law, the bond agreement or otherwise.

The bonds are issued in book-entry form and registered with the VPS. Beneficial interests in the bonds are represented through book-entry accounts of the beneficial owners or financial institutions acting on behalf of beneficial owners. Investors may hold their interests in the bonds through Euroclear. Investors may hold their interests in the bonds directly if they have a securities account with an account agent, or indirectly through custodians, nominees or organizations that are participants in these systems. Interests held through Euroclear will be recorded on the VPS's books as being held by the depositary for Euroclear, which depositary will, in turn, hold interests on behalf of their participants' customers' securities accounts. Beneficial interests in the bonds will be held in denominations of USD 1.00 and multiples of USD 1.00 in excess thereof.

Distributions with respect to bonds held in the VPS will be credited to the registered holders of the bonds, to the extent received by the VPS. In order to receive distributions with respect to the bonds in USD, the registered holders have to provide the paying agent (either directly or through its account agent) specific payment instructions, including USD bank account details. If the paying agent has not received such payment instructions within 5 business days prior to the applicable payment date, the distributions with respect to the bonds will be exchanged into NOK and credited to the NOK bank account registered with the registered holder's account in the VPS.

Euroclear

Euroclear has advised us that it was created in 1968 to hold securities for participants of Euroclear, or "Euroclear Participants," and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear performs various other services, including securities lending and borrowing and interacts with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V., or the "Euroclear Operator," under contract with Euroclear plc, a U.K. corporation. All operations are conducted by the

Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not Euroclear plc. Euroclear plc establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator is a Belgian bank. As such, it is regulated by the Belgian Banking and Finance Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law, which we will refer to herein as the "Terms and Conditions." The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Distributions with respect to bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the VPS for Euroclear.

Euroclear has further advised us that investors that acquire, hold and transfer interests in the bonds by book-entry through accounts with the Euroclear Operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the global bonds.

Clearance

If the bonds are cleared only through Euroclear and the VPS, you will be able to make and receive through Euroclear and the VPS payments, deliveries, transfers, exchanges, notices, and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers, and other institutions are open for business in the United Kingdom.

Although Euroclear and the VPS have agreed to the foregoing procedures in order to facilitate transfers of bonds among participants of Euroclear and the VPS, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. Neither we nor any paying agent will have any responsibility for the performance by Euroclear or the VPS or their respective direct or indirect participants of their obligations under the rules and procedures governing their operations

D

APPENDIX D

HISTORICAL FINANCIAL INFORMATION

INDEX OF APPENDIX D

HISTORICAL FINANCIAL INFORMATION

(a) the 2013 annual report containing the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 March 2013, together with the notes thereto and the Auditor report thereon;

(b) the 2012 annual report containing the audited consolidated financial statements of the Issuer as at and for the fifteen month financial period ended 31 March 2012, together with the notes thereto and the Auditor report thereon;

(c) the 2013 annual report containing the audited financial statements of Island Gas Limited as at and for the financial year ended 31 March 2013, together with the notes thereto and the Auditor report thereon;

(d) the 2012 annual report containing the audited financial statements of Island Gas Limited as at and for the fifteen month financial period ended 31 March 2012, together with the notes thereto and the Auditor report thereon;

(e) the 2013 annual report containing the audited financial statements of Island Gas Operations Limited as at and for the financial year ended 31 March 2013, together with the notes thereto and the Auditor report thereon;

(f) the 2012 annual report containing the audited financial statements of Island Gas Operations Limited as at and for the fifteen month financial period ended 31 March 2012, together with the notes thereto and the Auditor report thereon;

(g) the 2013 annual report containing the audited financial statements of IGas Exploration UK Limited as at and for the financial year ended 31 March 2013, together with the notes thereto and the Auditor report thereon;

(h) the 2012 annual report containing the audited financial statements of IGas Exploration UK Limited as at and for the fifteen month financial period ended 31 March 2012, together with the notes thereto and the Auditor report thereon;

(i) the 2013 annual report containing the audited financial statements of Star Energy Group Limited as at and for the financial year ended 31 March 2013, together with the notes thereto and the Auditor report thereon;

(j) the 2012 annual report containing the audited financial statements of Star Energy Group Limited as at and for the financial year ended 31 March 2012, together with the notes thereto and the Auditor report thereon;

(k) the 2013 annual report containing the audited financial statements of Star Energy Limited as at and for the financial year ended 31 March 2013, together with the notes thereto and the Auditor report thereon;

(l) the 2012 annual report containing the audited financial statements of Star Energy Limited as at and for the financial year ended 31 March 2012, together with the notes thereto and the Auditor report thereon;

(m) the 2013 annual report containing the audited financial statements of Star Energy Weald Basin Limited as at and for the financial year ended 31 March 2013, together with the notes thereto and the Auditor report thereon;

(n) the 2012 annual report containing the audited financial statements of Star Energy Weald Basin Limited as at and for the financial year ended 31 March 2012, together with the notes thereto and the Auditor report thereon;

(o) the 2013 annual report containing the audited financial statements of Star Energy Oil & Gas Limited as at and for the financial year ended 31 March 2013, together with the notes thereto and the Auditor report thereon;

(p) the 2012 annual report containing the audited financial statements of Star Energy Oil & Gas Limited as at and for the financial year ended 31 March 2012, together with the notes thereto and the Auditor report thereon;

(q) the 2013 annual report containing the audited financial statements of Star Energy (East Midlands) Limited as at and for the financial year ended 31 March 2013, together with the notes thereto and the Auditor report thereon;

(r) the 2012 annual report containing the audited financial statements of Star Energy (East Midlands) Limited as at and for the financial year ended 31 March 2012, together with the notes thereto and the Auditor report thereon;

(s) the 2012 annual report containing the audited financial statements of Island Gas (Singleton) Limited as at and for the financial year ended 31 December 2012, together with the notes thereto and the auditor's report thereon; and

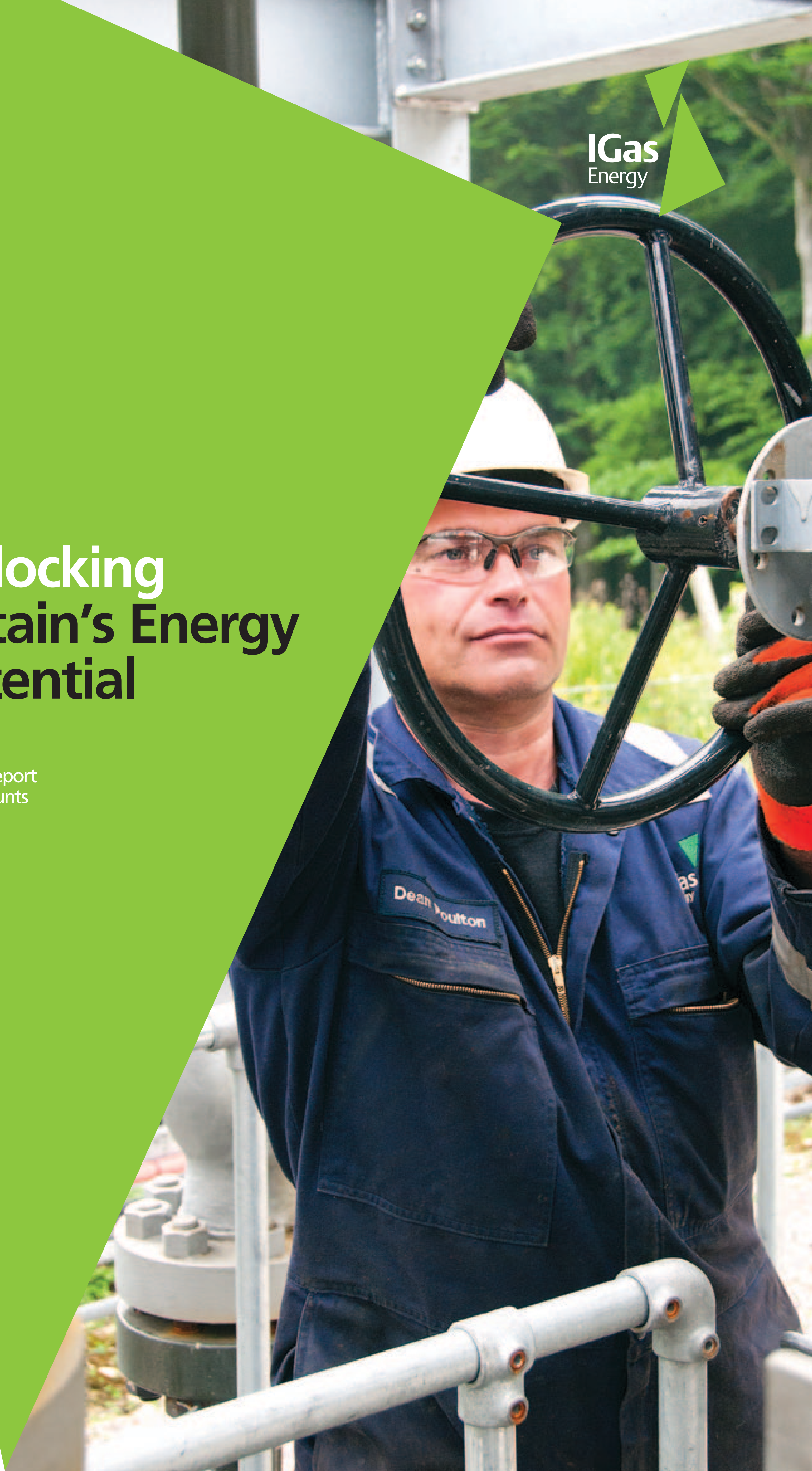
(t) the 2011 annual report containing the audited financial statements of Island Gas (Singleton) Limited as at and for the financial year ended 31 December 2011, together with the notes thereto and the auditor's report thereon.

The Issuer's Annual Returns
2013

IGas
Energy

Unlocking Britain’s Energy Potential

Annual report
and accounts
2012/13



Highlights

Revenue – 12 months to 31 March 2013

£68.3 million

Production – year to 31 March 2013

901,540 boe*

* Includes one month's production from P.R. Singleton

Number of staff

162

20 RoSPA 13
GOLD MEDAL
Award

Operational highlights

- » Acquisition of P.R. Singleton from Providence Resources for US$66m
- » Progress on "Chase the Barrels" initiative
- » Proven reserves growth of 30% from 6.1 to 7.9 MMboe over the period 1 January 2012 to 30 June 2012[1]
- » Gas Initially In-Place ("GIIP") for NW shale acreage up to 170 Tcf[2]
- » Drilling programme to commence in Q4 2013 to refine estimates
- » Government initiatives to support development of shale gas

Financial highlights[3, 4]

- » Revenue of £68.3m (2012: £22.1m)
- » Total Production c902mboe (2012: c280mboe)
- » EBITDA[5] of £31.9m (2012: £13.0m)
- » Underlying operating profit[6] of £22.1m (2012: £5.4m)
- » Net cash from operating activities £28.9m (2012: used in operating activity £2.6m)
- » Net debt[7] of £77.4m (2012: £67.1m)
- » Refinancing of Macquarie debt through $165m 5yr bond issue
- » Successful placing of £23.1m gross in January

1 Adjusted for production (production in the six month period to 30 June 2012 of 0.46mmstb)
2 For further detail on the range of estimates see table in 'Appraisal of wider resources' in the CEO Review
3 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
4 The figures for 2012 reflect the 15 month period to 31 March 2012. The Star Energy acquisition completed on 14 December 2011 and therefore the March 2012 results reflect only 3.5 months of results from Star Energy
5 EBITDA relates to earnings before net finance costs, tax, depletion, depreciation and amortisation
6 Underlying operating profit excludes the profits/(losses) on oil price swaps, acquisition costs and impairment of exploration and evaluation assets
7 Net debt is borrowings less cash and restricted cash

Contents

IGas Group at a Glance

Our areas of operation

East Midlands

In the East Midlands we have two primary production areas: Welton and Gainsborough.

Oil and gas has been produced in the East Midlands since 1959 and current production from this area accounts for approximately 50% of the Group's total current production.

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 transported to Conoco Immingham via road tanker. Gas is used for power generation and produced water is pumped for reinjection.

The Gainsborough/Beckingham area is made up of 11 fields and a processing facility. Oil is transported to Conoco Immingham via road tanker, gas is piped to Gainsborough-1 for power generation and produced water is pumped for reinjection.

Weald Basin

Based in southern England, the Weald Basin is the source of approximately 50% of our current production.

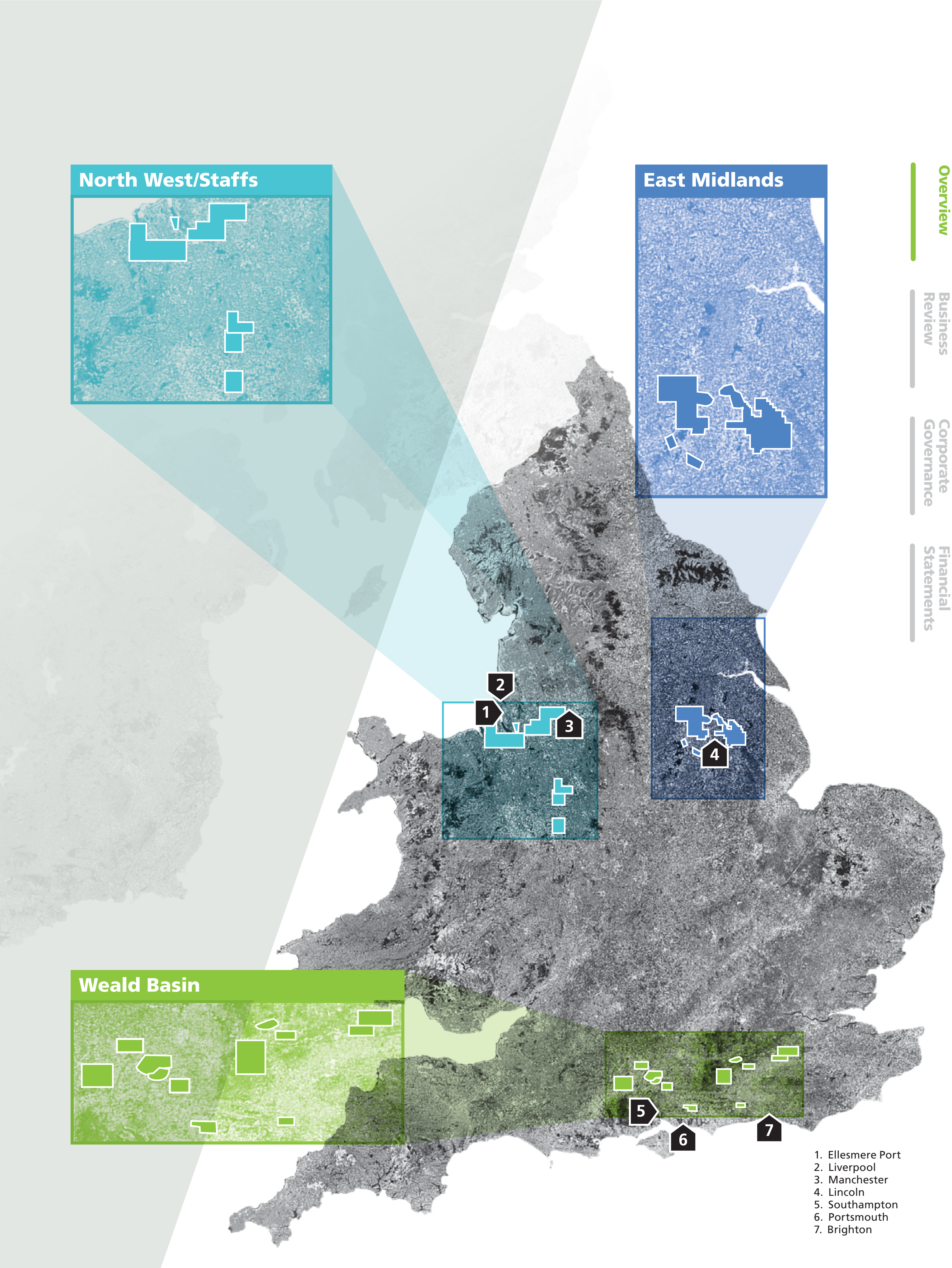
There are 11 fields ranging from Stockbridge, near Winchester, in the west to Palmers Wood near Gatwick in the east and now includes the Singleton field. The area has produced more than 29 million barrels of oil to date. Oil is collected by tanker from our sites and transported to our processing facilities 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 IGas with an additional revenue stream.

North West/Staffs

In the North West we have nine onshore licences and one offshore, 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 1,259km^2 (approximately 311,000 acres), with the Company owning 100% working interest in all licences. Our recent review of 300 square miles of this acreage gives an estimate of Gas Initially In-Place of up to ca.170 Tcf[1], with an average mid case in place volume of ca. 340 Bcf/square mile ranging from 93 Bcf/square mile to 677 Bcf/square mile.

1 For further detail on the range of estimates see table in 'Appraisal of wider resources' in the CEO Review



1. Ellesmere Port
2. Liverpool
3. Manchester
4. Lincoln
5. Southampton
6. Portsmouth
7. Brighton

A Year in Review

Key milestones

During the year our "Chase the Barrels" initiative has identified numerous opportunities to enhance production and recovery, for example, field optimisation models have been developed which help highlight production efficiencies and identify lost production opportunities.

April 2012
Encouraging results from interpretation of logs from Ince Marshes-1

July 2012
Robin Pinchbeck appointed to the Board as a Non-Executive Director

September 2012
Signed Heads of Terms Agreement with Providence Resources to acquire P.R. Singleton Limited for US$66m

December 2012
Establishment of the government's new Office of Unconventional Gas and Oil

Department of Energy & Climate Change ("DECC") lifts the restrictions on hydraulic fracturing

Cuth McDowell appointed to the Board as Non-Executive Director and Chairman of the Audit Committee

January 2013
Successful fundraising of ca. £23m at 95p per share

February 2013
Completion of the acquisition of P.R. Singleton Limited from Providence Resources

March 2013
Arrangement of a five year US$165m senior secured bond

April 2013
Confirmed plans to spud two exploration wells in the North West subject to results and permitting

May 2013
Institute of Directors ("IoD") issues 'Getting Shale Gas Working' report

June 2013
Announced our shale Gas Initially In-Place ("GIIP") estimates for North West acreage

British Geological Survey 'The Carboniferous Bowland Shale gas study: geology and resource estimation' released

UKOOG Community Engagement Charter signed

Government announces package of community incentives, guidelines on permitting and planning and launches consultation on tax incentives in support of the industry

Gas from Shale

The unlocked opportunity for Britain

"Shale gas could represent a multi-billion pound investment, create tens of thousands of jobs, reduce imports, generate significant tax revenue and support British manufacturing. It could potentially meet a third of the UK's gas demand with a very small surface footprint, benefitting the environment at the same time."

Source IoD Report: 'Getting Shale Gas Working'

IGas – helping to unlock Britain's shale gas potential

Britain has a heritage of onshore and offshore oil and gas production that dates back to 1851, and one that has had a profound effect on the economy of the country. From the wartime exploration of onshore oil, through to the development of the largest onshore oil and gas field in Europe at Wytch Farm in Dorset, the UK has had a gold standard of safe operation of oil and gas fields across the country.

IGas is currently the operator of the largest number of onshore oil and gas wells in Britain. Oil and gas has been safely explored, developed and produced at our sites for over 40 years.

Now IGas is set to be a key player in the development of previously untapped British resources in the form of natural gas contained within shale formations underneath Britain. Our management and technical teams are well placed to take this next step in onshore energy production, which has the potential to deliver economic and social benefits across the country.

Delivering for the British economy

Natural gas from shale is potentially a major asset for Britain. The most recent study by the British Geological Survey ("BGS") confirmed that there are estimated to be 1,300 trillion cubic feet ("Tcf") of shale gas resources lying under the North of England, a significant upwards revision of previous estimates. Our own studies show that within 300 square miles of our licence areas, between Manchester and Liverpool, there is gas in-place of up to ca. 170 Tcf[1]. With Britain's total gas use of ca. 3 Tcf a year and imports running at 1.5 Tcf per year and rising, it is clear this is a material national resource and has the potential to make a significant impact for the nation. The size of the recoverable resources is limited by factors such as technology and economics. Using the Institute of Directors ("IoD") report estimates, of a recovery rate of 10%, this resource could have the potential to make a meaningful contribution to the UK economy, improving our balance of payments, delivering tax revenues, economic growth, and a significant number of jobs.

Shale gas – an important part of our energy mix

Gas from shale deposits could significantly decarbonise the economy by moving the energy generation mix away from coal towards gas. This has the potential to aid our ability to meet our greenhouse gas emission commitments. The impact of shale gas in decarbonising an economy has already been experienced in the United States.

At IGas we want to play our part in diversifying the UK's energy mix and reducing our reliance on imported resources. An energy diverse Britain is a secure Britain and gas from shale can play its part in helping to bring stability to the UK energy market and pricing environment. Transporting gas results in a higher carbon footprint than domestically produced gas.

"Gas import dependency could be reduced from 76% to 37% by 2030."

Source IoD Report: 'Getting Shale Gas Working'

Developing Britain's shale gas resources will complement, not replace, investment in renewable energy.

Clean and safe production

Whilst shale gas has the potential to offer enormous benefits, it is understandable that many people have questions over both its extraction and its production.

Britain has one of the world's most stringent regulatory regimes for onshore and offshore oil and gas extraction. IGas always works within this framework and will continue to adhere to the strict environmental and safety codes in the next phase of the Company's development.

The advent of the combination of horizontal drilling and hydraulic fracturing has enabled the successful development of shale gas resources elsewhere in the world. Both these technologies have been used in Britain for many years without incident and are well understood by operators and regulators.

Seismic activity

There are naturally occurring seismic movements documented on a daily basis across Britain. In March 2013 alone there were 16 tremors across the British Isles of greater intensity than that picked up near Blackpool and Fylde in 2011, attributed to shale gas-drilling.

"Tremors of this level are not felt and that incident was the equivalent of someone 'jumping off a ladder'."

Source: Professor Richard Davies from Durham University's Energy Institute

Some one million wells have used hydraulic fracturing worldwide since 1949 (American Petroleum Institute), when the technique was introduced. There have been only a few cases of minor seismic activity linked to this process and in no cases has it resulted in any surface impact.

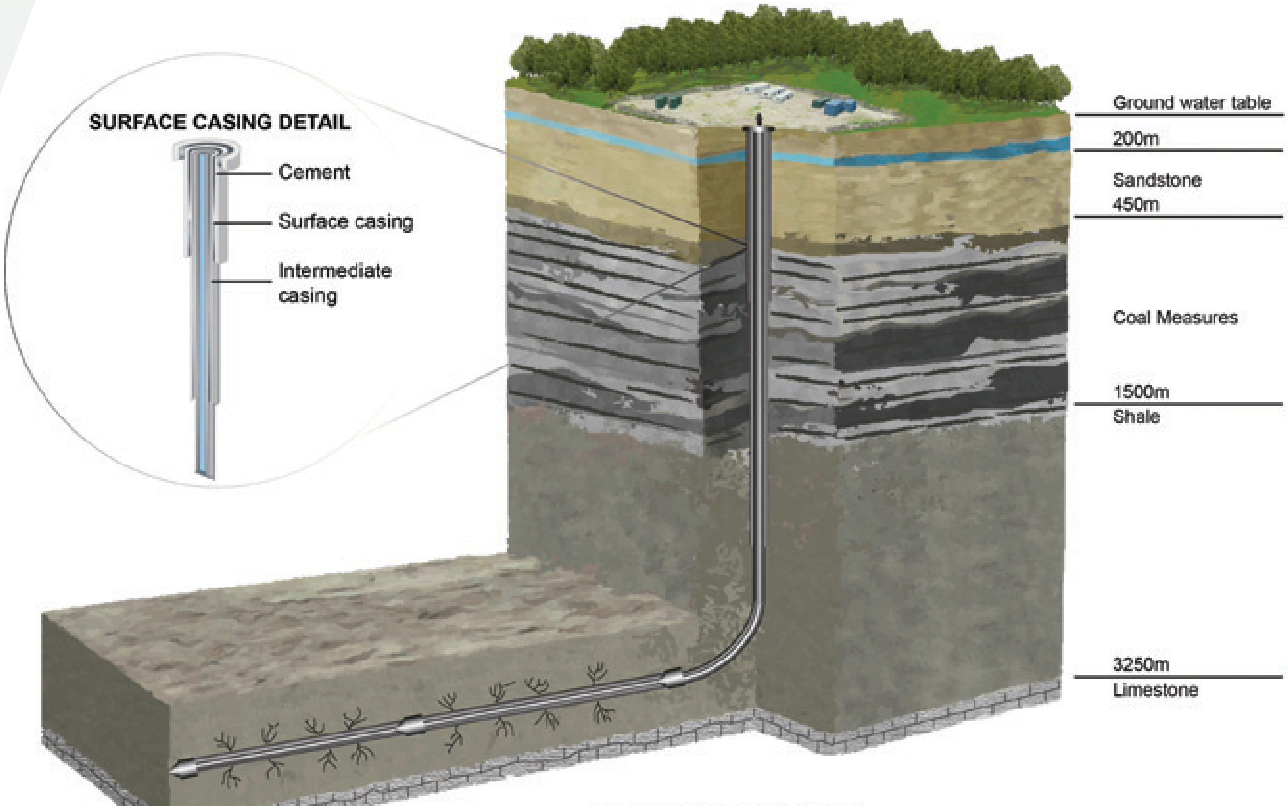
"The health, safety and environmental risks associated with hydraulic fracturing (often termed 'fracking') as a means to extract shale gas can be managed effectively in the UK as long as operational best practices are implemented and enforced through regulation. Hydraulic fracturing is an established technology that has been used in the oil and gas industries for many decades. The UK has 60 years' experience of regulating onshore and offshore oil and gas industries."

Source: The Royal Society

Water quality

IGas considers the security of our water supply to be paramount. In Britain, we operate under some of the world's strictest regulations, as well as our own very high safety and environmental standards. Unlike some parts of the US, in the UK there is typically more than a mile of rock between the shale beds and the overlying fresh water

1 For further detail on the range of estimates see table in 'Appraisal of wider resources' in the CEO Review.



Schematic Shale Well

aquifer. Hydraulic fracturing has been carried out on over a million wells and studies by the U.S. Environment Protection Agency ("EPA") and the Ground Water Protection Council have confirmed no direct link between hydraulic fracturing operations and groundwater impacts (American Petroleum Institute). In February, we signed up to the UKOOG industry guidelines covering best practice for shale well operations in the UK.

The guidelines, which include hydraulic fracturing and the public disclosure of fracture fluid chemical composition, were written by a high level workgroup which included operating and service companies with input from The Department of Energy and Climate Change ("DECC"), The Health and Safety Executive ("HSE"), The Environment Agency ("EA") and the Scottish Environment Protection Agency ("SEPA").

Environmental impact

As discussed, the introduction of shale gas into the UK's energy mix could have a positive effect on the UK's current emissions levels, as has been the case in the United States. Not only will domestically produced gas have lower emissions than imported gas but electricity generated from gas results in half the level of CO_2 emissions than that generated by burning coal, which currently accounts for 31% of Britain's generating capacity. Developing our shale gas resources will help us move away from coal fired generation, complement not replace investment in renewable energy and help to make a meaningful impact in decarbonising our economy.

Between 2005 and 2010, US CO_2 emissions fell by 403 million tonnes, greater than the 318 million tonne fall in the EU over the same period. Between 2005 and 2012, US electricity generation from coal fell by 25%, while electricity generation from natural gas rose by 62% and from renewables by 38%. *Source IoD Report: 'Getting Shale Gas Working'*

"If production is well regulated, shale gas can have lower emissions than imported LNG."

Source IoD Report: 'Getting Shale Gas Working'

One of Britain's advantages is the density of our shale resources. In certain areas, the shale section in the UK is up to 10 times the average thickness of that in America meaning that from a single site above ground it should be possible to extract far more gas. The IoD has quoted that '100 pads would need 200 hectares' across Britain. This would equate to an area of only ca. 500 acres, equivalent to the size of the Trafford Centre in Greater Manchester.

"A two-hectare site could potentially support a 10-well pad and a production phase of 100 such pads would require just 200 hectares, or two square kilometres."

Source IoD Report: 'Getting Shale Gas Working'

Industry working with local communities

A binding industry charter for UKOOG members has been developed, covering the minimum standards of engagement required with local communities alongside a community benefits scheme. The Charter sets out the minimum standards that communities can expect from shale gas operators that display the UKOOG logo. The Charter covers how operators will communicate and engage and also makes commitments with respect to local logistics, adherence to health and safety regulations, compliance with environmental regulations, local needs and jobs. The benefits mechanism is based on a 1% share of revenue from producing wells, before all costs of production are taken into account.

IGas is committed to its social licence to operate, which means honest engagement with, and commitment to, our neighbouring communities.

Chairman's Statement

Building our Company

"If we get this right, in future I believe the world could look to the UK as the gold standard for a well regulated and safe shale gas industry that benefits local communities and the nation."

Dan Byles Member of Parliament for North Warwickshire and Bedworth
Chair, All-Party Parliamentary Group for Unconventional Gas and Oil

£68.3 million
(Revenue)

Since I reported to you this time last year, IGas' conventional production has remained strong and the Company is at the heart of the UK's shale revolution, which has now been recognised by both government and industry as having a potentially major impact on the country.

During the year, the strong performance of our conventional assets continued, augmented by the acquisition of PR Singleton in February. This acquisition further consolidated our position as a leading onshore oil and gas company across Britain and has given us a material increase in both reserves and production.

IGas has enjoyed solid growth as demonstrated by its financial results with revenues of £68.3m in the year compared with £22.1m in the previous period.

Our unconventional resources have also had an important fillip from the active support the Government is now giving to shale gas in particular. Since the lifting of the restrictions on hydraulic fracturing in December, we have seen a step change in the political backdrop and geological understanding of shale gas in this country. The Department of Energy and Climate Change ("DECC") has established the Office of Unconventional Gas and Oil, which aims to promote the safe, responsible, and environmentally sound recovery of the UK's unconventional oil and gas. DECC published its own report in April, which acknowledged the substantial benefits that shale gas can offer to the UK. Natural gas from shale has the potential to transform the UK's energy market, boost the economy, create thousands of jobs, generate significant tax revenues, reduce our reliance on imported gas and reduce CO_2 emissions by allowing a move from coal to gas fired electricity generation.

The recent news that Centrica, Britain's biggest energy provider with the largest retail supply business in this country, has acquired a 25% interest in the Bowland exploration licence (PEDL165), in Lancashire from Cuadrilla Resources Ltd and AJ Lucas for £100m in cash and future commitments, is a significant step forward for onshore oil and gas development in Great Britain.

With the political environment surrounding shale gas in the UK developing positively, the results of our recent studies of potential shale gas in-place at our licences in the North West, referred to further below, was very timely, and highlights the significant potential opportunity for IGas in this area. In addition to the main Bowland basin, we have also identified prospective shale horizons across our licence areas in both the East Midlands and the Weald Basin.

Financing
In January this year, we completed a successful placing, with new and existing institutional investors, raising a total of £23.1m (gross). Given the significant developments around shale, we believed the time was appropriate to ensure that we were in a position to be able to further demonstrate the potential of our resource base ahead of any farm-out. The proceeds of the placing, along with cash flow from the Company's conventional asset portfolio and the Company's existing cash, will enable us to conduct a work programme towards achieving this objective.

We also completed the arrangement of a five year, US$165m senior secured bond which enabled us to refinance the Company's existing debt.

Board changes
During the year, we strengthened the independence of the Board with the appointments of Robin Pinchbeck and Cuth McDowell as Non-Executive Directors. Robin has 39 years of international experience in the industry, having held a range of leadership positions in both the oil and oil-services sectors. Cuth McDowell is a highly experienced international Exploration and Production executive.

Richard Armstrong and John Hamilton, both Non-Executive Directors, stepped down during the period and on behalf of the Board I would like to thank them both for their valued contributions over the last few years.

People
A company is dependent upon its management and employees for the execution of its strategy, and on its culture for the way in which its results are achieved. We now employ over 160 people across the business working in different environments all of whom work to exacting standards. I would like to take this opportunity to thank them all for the sterling work they do, and the care with which they do it.

Outlook

Since the year end, we have announced the results of our studies of the shale under our licences in the North West, and have shown a potential for gas in-place volumes of up to ca. 170 Tcf[1]. We must now undertake further drilling to refine these estimates and advance our understanding of this significant potential shale basin. We will commence drilling in the fourth quarter of this year.

It is important to understand that we have been safely exploring, developing and producing energy onshore at our conventional sites for four decades, working sensitively and in collaboration with local communities throughout that time. We continue to inform and engage with these communities and are now working within the new UKOOG Charter to establish how those communities can receive and share in the benefits that shale gas may bring.

We believe we have both the experience and the expertise to unlock the potential of Britain's untapped natural resources and help to secure Britain's energy future while creating value for our shareholders and positively contributing to the economy.

Francis Gugen
Non-Executive Chairman

1 For further detail on the range of estimates see table in 'Appraisal of wider resources' in the CEO Review

Chief Executive Officer's Review

Harnessing our experience

"We move closer to unlocking Britain's untapped unconventional resources, whilst continuing to deliver on our conventional assets."

Over the past 12 months we have had a busy and productive year as evidenced by our solid financial results. We have also made considerable progress in delivering our strategic objectives. As a result, we believe we are extremely well positioned for the future as we move closer to unlocking Britain's untapped unconventional resources, whilst continuing to deliver on our conventional assets, which is the foundation of our business.

There have been significant recent developments in the UK with the lifting of restrictions on exploration for shale gas announced by the UK government on 13 December 2012 and the establishment of the government's Office of Unconventional Gas and Oil. In the Chancellor's Budget statement, he outlined how the government was looking to assist the industry to take the next steps in assessing this resource by bringing forward proposals in respect to community benefits, planning guidelines and appropriate taxation. At the time of writing the government has already announced its intention to introduce a more streamlined planning process and tax allowances and we continue to work closely with all the relevant government departments. IGas has confirmed its commitment to the recently launched industry Charter which sets out the minimum standards communities can expect from operators. We understand further detail will be given by the government later this month as part of its consultation process.

The government's Energy and Climate Change Select Committee published a Report: 'The Impact of Shale Gas on Energy Markets' in April which acknowledged the substantial benefits to the UK that shale gas could offer. It concluded that natural gas from shale has the potential to transform the UK's energy market, boost the economy, create thousands of jobs, generate significant tax revenues and reduce our reliance on imported gas. The Committee itself is keen to see exploration proceed quickly in order to validate current estimates and establish the potential of shale gas in the UK.

"The Government welcomes the recent investment in the industry by Centrica, which demonstrates the attractiveness of the Bowland Shale as an investment proposition".
HM Treasury, 'Investing in Britain's future'

In February, the United Kingdom Onshore Operators Group ("UKOOG"), the representative body for UK onshore oil and gas companies, was re-launched to expand its scope to reflect the increased importance of onshore oil and gas exploration to the UK economy. For the first time, UKOOG published industry guidelines covering best practice for shale well operations in the UK. The guidelines, which include hydraulic fracturing and the public disclosure of fracture fluid composition, were formed by a collaboration of operating and service companies with input from The Department of Energy and Climate Change ("DECC"), The Health and Safety Executive ("HSE"), The Environment Agency ("EA") and the Scottish Environment Protection Agency ("SEPA").

I am particularly pleased with the progress we have made in developing our position in the exploration and evaluation of unconventional resources in the UK. After the year end we announced the results of our studies of the Lower Carboniferous shale, including the Bowland Shale, under our 100% owned licences in the North West of England. We have estimated the volume of Gas Initially In-Place ("GIIP") associated with the shales in the North West, including the Bowland Shale, could be up to as much as ca. 170 Tcf[1].

1 For further detail on the range of estimates see table in 'Appraisal of wider resources' in the CEO Review

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. We will continue to build our capability by recruiting and retaining the best people in the industry; and we will continue to focus on performance and delivering on our strategy.

Growing IGas Energy

Since the acquisition of Star Energy in 2011, the integration of which is now fully complete, we have continued to grow the business, acquiring PR Singleton Limited from Providence Resources for US$66m earlier in the year. The assets included the ownership of 100% of PL240, including the Singleton field which is close to existing IGas sites in the south of England, and 50% of PEDL 233 including the Baxter's Copse and Burton Down fields. We were already selling all the oil produced at the Singleton field on behalf of Providence and therefore had a very good understanding of the field and it's potential. We see considerable upside from Singleton alongside the additional resources in Baxter's Copse and Burton Down fields. Current production from the Singleton field is 520 bopd. The acquisition of Singleton plays an important part in our ability to exploit our significant potential resources by giving IGas a material increase in reserves and production with the associated cash flow to be used to develop all of our assets across Britain.

Importantly, in parallel with our reserves and resources growth, we have also grown our professional team in both oil and gas operations and in our corporate group. It is particularly rewarding to see the number of talented people IGas is attracting. This adds significant capability to our business and provides us with the professional skills and experience to execute our operations and initiatives efficiently and to the best industry standards. To this end, we have now centralised all our subsurface, drilling and land and planning staff in London which will enable yet greater collaboration between technical and operational teams.

Chief Executive Officer's Review continued

In order to secure our ability to fund our future, and ensure that we are able to further demonstrate the significant potential of our resource base, we undertook refinancing projects in both equity and debt in the course of the year. In January we raised £23.1m by way of a placing of a total of 24,330,730 new ordinary shares at a price of 95 pence. The proceeds of the placing, along with cash flow from the Company's conventional asset portfolio, including Singleton, will enable IGas to conduct a work programme to further appraise our shale assets and further demonstrate the significant potential of our wider asset base across the country.

In March, we announced the arrangement of a five year, US$165m senior secured bond to refinance our existing debt and give us additional flexibility. Subscribers included institutions and banks in London, Scandinavia and in the US.

Production

Production through the period (which includes only one month's contribution from Singleton) has continued to be robust, with an average for the period of 2,396 bopd and 2,470 boepd total production including electricity generation. This has been achieved with limited capital expenditure, with rates having been sustained through active well services management utilising IGas' own personnel and equipment.

Our "Chase the Barrels" initiative has identified numerous opportunities to enhance production and recovery, for example, field optimisation models have been developed which help highlight production efficiencies and identify lost production opportunities. A number of specific well opportunities have been highlighted and these are being verified and prioritised to form a series of workover/remediation programmes to unlock this additional potential (to date ca. 400 bopd has been identified).

Technical studies have also identified additional opportunities to add new production and reserves, for example, at Bletchingley-2 a recent extended well test which flowed for 15 days at up to 4.4 MMscf/d (750 boepd) has identified this accumulation as a future gas monetisation project which will be progressed in 2013/14.

A review of the portfolio illustrates the potential in the asset base. 25 of our conventional fields are estimated to have an in-place volume ("STOIIP") of approximately 475 MMstb and the average recovery factor for the portfolio is approximately 18% (individual fields vary between ca. 5–55%). This suggests that there still remains a significant volume of oil to be recovered through detailed analysis and the application of current technology. For example, we have recently initiated a comprehensive field study of our Stockbridge assets which is aimed to identify further upside in this significant asset.

Reserves growth

Following in-house technical studies and continuing field performance in 2012, a subsequent independent Competent Persons Report issued in December 2012, resulted in proven reserves growth of 30% from 6.1 to 7.9 MMboe over the period 1 January 2012 to 30 June 2012, adjusted for production (production in the 6 month period to 30 June 2012 of 0.46 MMstb). In addition, the acquisition of P.R. Singleton Limited further added 4.3 mmboe of 1P reserves.

Appraisal of wider resources

Significant progress continues to be made on the unconventional resources of the group both in terms of the subsurface understanding and the clarification by government in respect to the regulatory and planning process related to shale development.

Following completion of the Ince Marshes-1 well, we conducted an extensive evaluation programme of the shale potential in our North West licences. This work has involved detailed seismic analysis, including reprocessing many kilometres of existing 2-D seismic, biostrat and chemostrat studies, basin modelling as well as extensive petrophysical and geomechanical studies using data from existing wells across the North West. Using the geological model constructed by our technical team, this data has been analysed to give estimates of the reservoir characteristics of the shale formations, including the thickness of the shale.

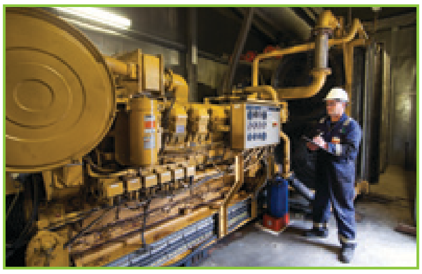
Based on this model, we have estimated the volume of Gas Initially In-Place ("GIIP") associated with the shales in the North West, including the Bowland Shale.

GIIP	Low	Most likely	High
Tcf	15.1	102.0	172.3

These estimates cover an area of 300 square miles giving an average mid case in place volume of ca. 340 Bcf/square mile with a range of 93 Bcf/square mile to 677 Bcf/square mile across the IGas North West acreage.

We will commence a drilling programme later in the year, in the North West, which will help to further refine these estimates and advance our understanding of this shale basin. Long lead items such as wellheads and casings have now been ordered and negotiations with drilling and related service companies are nearing completion. Background monitoring and base line surveys in advance of drilling have already commenced.

We will also, in due course, carry out further analysis and reinterpretation of existing seismic and subsurface data to evaluate the potentially prospective shale resources in the East Midlands and Weald Basin licence areas.



The Doe Green pilot Coal Bed Methane ("CBM") site continues to produce gas and generate electricity. All three production wells, each of which is testing a separate seam, demonstrate that gas is flowing from the seams. The development of our CBM resources will be linked to and dependent on the progress made in demonstrating our shale resources.

Working with local communities
IGas has a long track record of engaging with neighbouring communities. Our workforce lives and works in the areas in which we operate, so the strength of our relationships with local residents is vital to us. In all areas, we work with local people through our Community Liaison Groups to ensure that our activities are understood and lead to real benefits for all. We operate these groups before and during the planning process and throughout our operations we are committed to in-depth and meaningful consultation and engagement.

We have committed to distribute several hundred thousand pounds a year in community projects in parishes adjacent to our sites, through an independently managed community fund. Details of our fund and some examples of the projects we have funded can be found in the Corporate Social Responsibility section of this Annual Report.

Since the year end, we were pleased to formalise our existing work in communities by signing up to the UKOOG Community Engagement Charter. This binding industry charter is a commitment to the communities that we work with ensuring that they understand what we are doing, how we are doing it and the steps we will take to mitigate concerns they may have around safety and the environmental impact of our operations.

Health and Safety
We continue to work extremely hard to ensure that our presence makes a meaningful and positive contribution to the areas in which we operate and is sustainable over the long term, core to which is our commitment to operate safely and reliably. There has been a low number of Lost Time Injuries ("LTIs") in the year and we are committed to minimising these incidents.

Outlook
The conventional fields remain a vital part of our business strategy and we have an active programme of investment to identify incremental opportunities to enhance production and grow our reserve base. The "Chase the Barrels" initiative has started to bear fruit and we will continue this initiative in the forthcoming year.

The recent publication of new figures from the British Geological Survey ("BGS") have indicated that the amount of shale resources in an area stretching from Lancashire to Yorkshire and down to Lincolnshire could hold at least 1,300 trillion cubic feet of gas. The results of our own technical study, in the North West, supports our view that these licences have a very significant shale gas resource with the potential to transform the Company and materially benefit the communities in which we operate.

We are very excited about the future of the onshore oil and gas industry in this country and look forward to developing this potentially strategically important resource in conjunction with the communities in which it is found, in the coming months and years.

Andrew Austin
Chief Executive Officer

"The Government is committed to ensuring that a world-leading framework for investment is in place so that if the conditions are right the industry can prosper."
HM Treasury, 'Investing in Britain's future'

Chief Financial Officer's Review

The year ended 31 March 2013 has been another extremely active year for the IGas Group, through the equity financing in January 2013, the completion of the acquisition of P.R. Singleton Limited ("PR Singleton") in February 2013, and the arrangement of a 5 year senior secured US$165m Bond alongside a significant amount of progress across our asset base.

In January 2013, the Company raised gross proceeds of £23.1m by issuing 24.3m shares at 95p, representing approximately 15% of the enlarged issued ordinary share capital of the Company. The placing followed the developments in the UK with the lifting of restrictions on exploitation of shale gas announced by the UK government on 13 December 2012 and the establishment of the government's Office of Unconventional Gas and Oil. The Board believed it appropriate to ensure that the Company was able to further demonstrate the significant potential of its unconventional resource base prior to any farm-out. The equity fundraising also brought in a number of new institutional investors to the Company's shareholder register.

	Year to 31 March 2013[1]	15 months to 31 March 2012[2]
Revenues	**£68.3m**	£22.1m
EBITDA[3]	**£31.9m**	£13.0m
Underlying operating profit[4]	**£22.1m**	£5.4m
Net loss	**(£18.4m)**	(£12.1m)
Net cash from/ (used in) operating activities	**£28.9m**	(£2.6m)
Net debt[5]	**(£77.4m)**	(£67.1m)
Net assets	**£59.1m**	£55.0m

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 The figures for 2012 reflect the 15 month period to 31 March 2012. The Star Energy acquisition completed on 14 December 2011 and therefore the March 2012 results reflect only 3.5 months of results from Star Energy
3 EBITDA relates to earnings before net finance costs, tax, depletion, depreciation and amortisation
4 Underlying operating profit excludes the profits/(losses) on oil price swaps, acquisition costs and impairment of exploration and evaluation assets
5 Net debt is borrowings less cash and restricted cash

On 28 February 2013, the Company completed the acquisition of PR Singleton from Providence Resources plc following fulfilment of the conditions precedent and approval from the Department of Energy and Climate Change ("DECC"). The acquisition of PR Singleton further consolidated the Company's position as a leading onshore oil and gas company across Britain.

The acquisition of PR Singleton gave the Company a material increase in reserves and production and was an important element in the overall refinancing of the Company and the issue of a five year, US$165m senior secured bond, which was announced on 14 March 2013. The bonds have a fixed interest rate of 10% per annum and semi-annual amortisation of 2.5% of the initial loan amount. During April 2013, following satisfaction of all conditions precedent, IGas drew down US$165m from escrow and repaid the outstanding loan balances and closed out all remaining hedges with Macquarie (Completion of the Refinancing). IGas will apply for the bonds to be listed on the main Board of the Oslo Stock Exchange and this is expected to take place during September.

Income Statement[1]

The Group recorded revenues of £68.3m in the year (2012: £22.1m). The Group completed the acquisition of PR Singleton on 28 February 2013 and therefore the income statement includes only one month's contribution from Singleton in these results.

Group production in the year was 901,540 boe, representing an average of 2,470 boepd (2012: 2,615 boepd). If the Group had owned PR Singleton since 1 April 2012, Group production would have averaged 2,910 boepd for the year ended 31 March 2013.

The average realised price per barrel pre-hedge was £69.4 (US$109.6) (2012: £73.4 (US$117.0)) with narrow discounts to Brent continuing to be achieved. After taking into account the cash effect of hedging, which amounted to an average of £6.9 (US$10.9) per barrel, the average realised oil price was £62.5 (US$98.7) (2012: £65.1 (US$103.2)) per barrel.

Cost of sales of £38.0m (2012: £12.0m), includes depreciation, depletion and amortisation ("D,D&A") of £10.0m (2012: £3.2m) and operating costs of £28.1m (2012: £8.8m) including £7.0m in relation to third party oil (2012: £1.8m). Operating costs per barrel of oil equivalent ("boe") were £21.6 (2012: £19.9), excluding the third party costs. These costs include transportation costs of £3.15/boe (2012: £3.30/boe) and the costs of our well service team of £2.89/boe (2012: £2.64/boe).

Administrative expenses were £8.4m (2012: £5.0m). A charge for the impairment of exploration and evaluation assets of £1.1m (2012: £nil) was incurred during the year following the relinquishment of PEDL115, an exploration licence in Staffordshire. Profit on oil price swaps was £0.9m (2012: loss £18.5m).

Other income amounted to £0.2m (2012: £0.2m). Net finance costs amounted to £27.9m (2012: £1.7m) including £9.2m of interest (2012: £3.2m), net foreign exchange losses of £3.3m (2012: gain £0.3m), loss on revaluation of warrants £5.4m (2012: gain £1.7m), early settlement fees in relation to the loan assumed in the Singleton acquisition of £1.4m (2012: £nil) and unamortised Macquarie debt costs written off of £7.6m (2012: £nil). Net finance costs excluding 'one-off' costs[2] amounted to £12.9m (2012: £2.7m).

Gross profit of £30.3m was recognised in the year (2012: £10.1m) with underlying profit[3] of £22.1m (2012: £5.4m).

Cash Flow
Cash generated from operating activities in the period amounted to £28.9m (2012: cash used £2.6m).

On 15 January 2013, the Company raised gross proceeds of £23.1m by issuing 24.3m new ordinary shares, as detailed above.

On 28 February 2013, the Company completed the acquisition of PR Singleton from Providence Resources plc for £42.2m (including assumed borrowings) which was financed through additional borrowing of £21.4m from Macquarie with the balance from the Group's existing cash balances.

During the year, the Group repaid £16.7m (US$26.3m) of debt principal in addition to interest of £6.7m (US$10.6m).

The Group incurred capital expenditure of £3.6m in the year ended 31 March 2013 (2012: £18.5m).

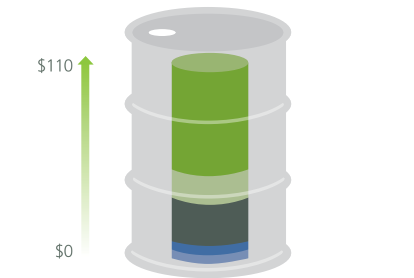
Balance Sheet
The Group's non-current assets increased by £50.1m during the period to £231.4m, principally due to the acquisition of PR Singleton. The PR Singleton acquisition has been accounted for as a business combination by the acquisition method of accounting with an effective date of 28 February 2013, being the date the Group gained control of PR Singleton. Goodwill of £10.8m was added to the balance sheet due to the acquisition of PR Singleton.

The timing of the Completion of the Refinancing, being completed post year-end, resulted in significant temporary effects on the balance sheet as at 31 March 2013 which unwound in April 2013 following the completion of the bond. A pro forma consolidated balance sheet is set out in Note 28 – 'Subsequent Events' of the Consolidated financial statements to show the balance sheet as if the bond issue had completed as at 31 March 2013.

In accordance with IFRS, the monies received from the bond on 22 March 2013, and which were held in escrow at the balance sheet date principally to repay the outstanding loan balance with Macquarie, have been recognised within current assets as 'Other Financial Assets – Restricted Cash'. The outstanding loan balance with Macquarie as at 31 March 2013, has been recognised within current liabilities as 'Borrowings-Macquarie', and the bond was recognised principally within long term liabilities – 'Borrowings-Bond'. On 10 April 2013, the Bond monies were released from escrow and the outstanding loan balance with Macquarie was repaid in full. At the same time all outstanding oil and interest rate swap hedges with Macquarie were cancelled at a cost of £10.7m (US$16.2m). Shortly thereafter, IGas entered into new hedging arrangements by acquiring puts for ca.450,000 barrels at US$90.0/barrel and ca.450,000 barrels at £58.8/barrel with maturities over the period to 31 March 2014. Going forward, the Board will seek to underpin the Group's future cash flows by buying puts for baseline production for at least the following 12 months.

As reflected in Note 28 – Subsequent Events of the Consolidated financial statements, had the full Bond issue been completed as at 31 March 2013, the current assets would have reduced by £96.6m and the current liabilities by £102.0m, a net current asset impact of £5.4m.

Net back per barrel
1 April 2012 to 31 March 2013



Net debt, being borrowings less cash and restricted cash, at the year-end amounted to £77.4m. Transaction costs of £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 £12.5m 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 £40.2m as at the balance sheet date. As at 31 March 2013, the Group has corporation tax losses of £49m and supplementary charge losses of £25m carried forward.

Stephen Bowler
Chief Financial Officer

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. The figures for 2012 reflect the 15 month period to 31 March 2012. The Star Energy acquisition completed on 14 December 2011 and therefore the March 2012 results reflect only 3.5 months of results from Star Energy
2 Net finance costs excluding one-off costs excludes loss on interest rate swaps, loss/(gain) on warrants, early settlement fees in relation to the loan assumed in the Singleton acquisition and unamortised Macquarie debt costs written off under amortised cost
3 Underlying operating profit excludes the profits/(losses) on oil price swaps, acquisition costs and charges for exploration and evaluation assets

Corporate Social Responsibility Report
Committed to the environment

"We want to build on our community heritage continuing to provide jobs and grow local economies."

RoSPA 2013
GOLD MEDAL
Award

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

During the year we have worked in collaboration with Community Liaison Groups, Planning officials, the Health and Safety Executive, ("HSE") the Environment Agency ("EA"), the government Department of Energy & Climate Change ("DECC") and the United Kingdom Onshore Operators Group ("UKOOG"), to ensure all our stakeholders have a thorough understanding of our activities. We are committed to being aligned in our work with these organisations to ensure the development of, and further investment in, the onshore oil and gas industry.

Working collaboratively with the wider industry and associated partners means that together we can continue to support the regional and local economies and ensure Britain's future energy security.

Since the lifting of the restrictions on exploration for shale gas in December 2012 and the establishment of the Office of Unconventional Gas and Oil, UKOOG has established a Community Engagement Charter, setting out guiding principles to ensure open and transparent communications between industry, stakeholder groups and the communities in which we operate.

Openness and transparency is at the heart of everything we do as a company and as a wider industry. The UKOOG Charter will ensure we, as an operator, continue to be aligned to the needs of the community.

Our people
Our workforce is an integral and critical part of every aspect of our business and a key focus is developing the skills of our team. We are conscious of the role we can play in helping to support local employment and the local economy. We currently have five employees at different stages of their apprenticeships with IGas. Including managers and supervisors, we have over 90 employees engaged in production, maintenance and well servicing operations across our sites. Of these, more than 30 have in excess of 15 years' service with the company and collectively, including trainees and apprentices, average service is over 10 years. Our drivers and vehicle maintenance team average over 12 years' service. This provides us with a solid base of knowledge to progress our operations into the future with a significant understanding of the geology and with a deep understanding of the communities and the environment in which we operate.

We are committed not only to developing our people and continuing to improve our internal skills but also to provide a positive and safe working environment for all staff and contractors.

IGAS ENERGY
Community Fund
. . . supporting our neighbours in local communities

Corporate Social Responsibility Report continued

SCHOOL ALLOTMENT BOOSTED
Penketh South Primary School in Cheshire has received £4,000 from the community fund towards a greenhouse and raised planting beds for its allotments. Residents from a neighbouring care home join pupils in growing vegetables which are used in the school kitchen and sold to further fund the project.

POOL MADE SAFE
A £15,000 grant from the company's community fund has resulted in much needed repairs to the local swimming pool at Shere in Surrey. The pool is a popular facility amongst people from villages close to the IGas wellsite at Albury. There had been growing concern about the dangers of the previously uneven pool surround.

Our community
IGas has a long track record of engaging with the communities in which it operates. We are a British business and our workforce largely lives and works in the areas in which we operate which helps build the strength and the quality of our relationship with local residents.

Local engagement
We are committed to ensuring we work with the neighbouring communities at each of our operating locations through our local liaison groups, ensuring transparency and an opportunity for open and effective dialogue. We recognise that we are a part of the community and we are committed to in-depth and meaningful consultations, working together with the aim to bring real benefits to the area and address any concerns. This local engagement occurs both before and during the planning process and continues throughout the life of the development.

UKOOG Charter
In June the industry body, UKOOG, announced a charter for community engagement. The Charter exists to ensure open and transparent communications between industry, stakeholder groups and the communities in which they operate.

Its objectives, to which we fully subscribe, are threefold:
- to identify and proactively address local issues and concerns;
- to facilitate the sustainable development of extractive resources; and
- to achieve an appropriate balance between the safe production of energy and the community's needs.

All operators displaying the UKOOG logo will have to adopt these as minimum standards and will be measured against them on a regular basis. Each operator will report annually to UKOOG on their performance and UKOOG will produce and publish an annual industry report on its website.

Full details of the UKOOG Charter can be found at www.ukoog.org.uk.

IGas is a signatory to this charter.

IGas Energy Community Fund
The IGas Energy Community Fund is a further commitment we make towards the vitality of the communities in which we operate. Our Community Fund has committed to distribute several hundred thousand pounds a year to projects that are charitable, educational or benevolent in purpose. It is an independently managed fund with projects being chosen by members from community groups and parish councils from areas in, and adjacent to, our operations.

These projects aim to benefit groups of people within the local communities as well as wildlife and the surrounding environment. Projects have supported children and young people, vulnerable members of our communities, regeneration projects, self-help groups delivering basic services, wildlife projects and projects providing education and skills development opportunities.

Over recent years, the fund has helped projects ranging from nature reserves to playgrounds. We provided funds to lay on water to a church in Hampshire to enable it to be used for wider community gatherings.

At Albury in Surrey, grants have helped the parish council to bring about a series of improvements to enhance the overall village environment.

Currently, we are supporting three separate projects where people in rural communities want to buy potentially life-saving emergency equipment in places where 999 crews will take time to respond.

Further projects are described in the case studies above.

Employee volunteering and engagement
The social investment we make through our Community Fund is complemented by employee engagement. Many of our team at IGas have independently raised their own funds for charities. We admire their commitment and initiative towards looking after each other and our communities and encourage their efforts with matched funding. Charities which the team at IGas have supported include a number of cancer foundations including the Everyman Foundation.

Our health, safety and security
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.

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.

Our Lost Time Injuries ("LTIs") for 2012 continue to decline, which is a result of our continued commitment to safe operations.

Our environment
We have successfully extended our certification to the 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.

"We have been embedded with our local communities for decades and we seek to work collaboratively, which is why we consult at every stage of our projects."

Board of Directors

Francis Gugen
Non-Executive Chairman
Francis is a founder and Non-Executive Chairman and has over 30 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 Euro €224m. He is past president of the UK Offshore Operators Association, past chair of the industries representation on the UK Government Oil & Gas Task Force (Pilot) and past chair of the CBI's Environmental Affairs Committee. Francis is a chartered accountant having worked for Arthur Andersen for eight years until 1982, principally as an oil and gas specialist.

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 full time responsibility for the day to day operations and business development. 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 with a track record of raising substantial funding from both private and public equity. Andrew is responsible for the transformation of IGas from a non-operating partner to delivering material hydrocarbon production to Britain's energy market.

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.

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 1 November 2011.

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. Before joining Cinergy, John was Executive Director with Midlands Electricity plc. He has been involved in developing a number of large gas fired power stations both in the UK and overseas, together with both electricity and gas distribution in Europe and Africa, renewable power in Europe and North America and gas and electricity trading. His prior experience was at British Sugar plc, Drexel Limited, the British Oxygen Company and Unilever plc. Drexel, where he was president, was a global oil and gas equipment manufacturing and servicing company. John is a Fellow of the Institute of Directors and a Fellow of the Royal Society of Arts.

Robin Pinchbeck
Non-Executive Director
Rob has 39 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 subsequently served as Group Director of Strategy. Past non-executive roles include Sondex plc, SLR Consulting Ltd, Enquest plc and international oil services company Sparrows Offshore Ltd, where he served as Chairman from 2008 until 2012. He is currently a Non-Executive Director at AIM-listed Enteq Upstream plc and unlisted Seven Energy International 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 a Company that is quoted on AIM, it is not required to comply with the UK Corporate Governance Code but all the Directors intend to comply with its main provisions as far as is practicable having regard to the size and composition of the Group.

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 are reviewed on an on-going basis. 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 period ended 31 March 2013, 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.

Directors' Remuneration Report continued

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

	Andrew Austin	John Blaymires	Stephen Bowler
Percentage of Performance Metric achieved	**87.5%**	**68.5%**	**86.75%**

It should be noted that the actual bonus payment relates to performance over a 15 month period and as such the bonus payments have been pro-rated to reflect this longer performance period.

Given the transformational acquisition of the Star business, the Remuneration Committee determined to make an exceptional bonus payment to the CEO of £175,000 to reflect the importance of this transaction to long-term shareholder value creation.

Bonuses were paid in cash and are not pensionable. The Committee intend to operate the bonus for 2014 on similar principles.

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
LTIP
In November 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%. No further Initial Awards will be granted to the current Executive Directors.

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.

Share Investment Plan ("SIP")
In January 2013, the Company adopted the Share Investment Plan for all employees of the Group. The scheme was approved by HM Revenue & Customs on 5 February 2013 and 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. An initial lump sum purchase was offered in March 2013 to allow participants to acquire up to £1,500 of IGas ordinary shares in respect of the 2012/13 tax year, which the Company matched on a 2-to-1 basis.

On an ongoing basis shares will be acquired on a quarterly basis. The Company will match the shares purchased on a 1-to-1 basis and subject to the Company having met pre-defined quarterly production targets, will increase the matching element of that quarter to 2-to-1. 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 2013 was 83p per share. The highest price during the period was 151p per share and the lowest share price during the period was 47.25p 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:

Executive Directors	Salary/Fees £000	Bonus £000	Taxable Benefits £000	Pensions £000	Total £000	15 Months ended 31 March 2012 Total £000
	Year ended 31 March 2013					
A Austin – Chief Executive Officer	**260**	**459***	**2**	**39**	**760**	464
S Bowler – CFO (Appointed 01 November 2011)	**200**	**152**	**1**	**30**	**383**	111
J Blaymires – COO	**200**	**120**	**2**	**30**	**352**	324
B Cheshire – Executive Technical Director (Resigned 20 June 2011)	**–**	**–**	**–**	**–**	**–**	50
Total – Executive Directors	**660**	**731**	**5**	**99**	**1,495**	949

Non-Executive Directors	Emoluments £000	Other Consultancy Services £000	Taxable Benefits £000	Pensions £000	Total £000	15 Months ended 31 March 2012 Total £000
	Year ended 31 March 2013					
F Gugen – Non-Executive Chairman	**80****	**–**	**–**	**–**	**80**	100
J Bryant – Senior Independent	**45****	**–**	**–**	**–**	**45**	91
R Pinchbeck (Appointed 11 July 2012)	**25**	**–**	**–**	**–**	**25**	nil
C McDowell (Appointed 20 December 2012)	**10**	**–**	**–**	**–**	**10**	nil
R Armstrong (Resigned 20 December 2012)	**34**	**–**	**–**	**–**	**34**	79
J Hamilton (Resigned 20 December 2012)	**47****	**–**	**–**	**–**	**47**	64
Total – Non-Executive Directors	**241**	**–**	**–**	**–**	**241**	334

* £175,000 of this bonus amount was in relation to the Star acquisition
** 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 2013, the outstanding long term incentives held by the Directors who served during the year are as set out in the table below:

Long term incentive arrangements:

	Date of Grant	At 1 April 2012	Granted	Exercised	Waived	As at 31 March 2013	Earliest vesting date	Lapse date
A Austin	21.11.11	1,029,702	–	–	–	1,029,702	21/11/2014	21/11/2021
J Blaymires	21.11.11	681,743	–	–	–	681,743	21/11/2014	21/11/2021
S Bowler	21.11.11	396,040	–	–	–	396,040	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
10 July 2013

Directors' Report

The Directors present their report together with the Group and Parent Company financial statements for the year ended 31 March 2013.

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.

Results and dividends

The Group's profit for the period before taxation before costs of marking to market oil price, interest rate derivatives and warrants and before costs of acquisitions, exploration impairment and written off debt costs was £9.2 million (2012: profit £2.6 million). After adjusting for these items amounting to £15.2 million the total loss for the period before taxation was £6.0 million (2012: loss £17.9 million).
The Directors do not recommend the payment of any dividend (2012: £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 resources in Great Britain.

Share Capital

Details of changes to share capital in the period 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 – Appointed 11 July 2012
C McDowell	Non-Executive – Appointed 20 December 2012
R Armstrong	Non-Executive – Resigned 20 December 2012
J Hamilton	Non-Executive – Resigned 20 December 2012

The interests of the Directors in the shares of the Company at 31 March 2013 were as follows:

	31 March 2013 Ordinary 10p Shares		31 March 2012 Ordinary 50p Shares	
	Number	**%**	Number	%
F Gugen	**27,615,764**	**14.80**	27,615,764	17.03
A Austin	**10,659,253**	**5.71**	10,659,253	6.57
J Blaymires	**20,000**	**0.01**	20,000	0.01
S Bowler	**70,000**	**0.04**	40,000	0.02
J Bryant	**59,045**	**0.03**	57,870	0.04
R Pinchbeck	**141,000**	**0.08**	–	–
C McDowell	**–**	**–**	–	–
R Armstrong	*	**–**	65,960	0.04
J Hamilton	*	**–**	85,000	0.05

* J Hamilton and R Armstrong still held the same shares as at 31 March 2013 but these are not reported as they are no longer Directors at this date.

On 22 April 2013, 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 5,805 shares under the Share Investment Plan ("SIP").

The interests of the Directors in the 10% Bonds issued by the Company at 31 March 2013 were as follows:

	31 March 2013 US$	31 March 2012 US$
F Gugen	**5,000,000**	–

On 13 April 2013, C McDowell subscribed to US$300,000 10% IGas Bonds.

Rotation and re-election of Directors

In accordance with the Articles of Association A Austin and J Bryant retire by rotation and being eligible offer themselves for re-election. C McDowell was appointed by the Board during the period and, in accordance with the Articles of Association, offers himself 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 2013, 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 per cent of the Company's issued Ordinary Shares with voting rights:

	Number of Shares	%
Nexen Petroleum UK Limited	39,714,290	21.29
Brent Cheshire	11,429,253	6.13
Peter Levine and Levine Capital Management Ltd	8,871,005	4.76
Henderson Global Investors	8,830,315	4.73
Baillie Gifford & Co	8,088,217	4.34
Hedger Management SA	6,450,000	3.46

Principal risks and uncertainties

- 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 entered into a series of oil price puts until 31 March 2014 for c.450,000 barrels at US$90.0/barrel and c.450,000 barrels at £58.8/barrel. Going forward, the Board will seek to underpin the Group's future cash flows by buying puts for baseline production for at least the following 12 months. The Board will continue to monitor the benefit of such contracts.
- The Group is also exposed to market price risk through variations in the wholesale price of gas and electricity in the context of its future unconventional production volumes. Currently the Group has not entered into any forward contracts to fix the prices of these commodities. The Board will continue to monitor the benefit of entering into such contracts at the appropriate time.
- The Group is exposed to exchange rate risk through both its major source of revenue and its major borrowings being priced in US$. 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 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 given its 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 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 and the expertise and experience of its team operating on the Group's conventional assets.
- 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 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.

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 Operational review.

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.

Directors' Report continued

Creditor payment policy and practice
It is the Group's normal practice to agree payment terms with its suppliers and abide by such terms. Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with the relevant contractual conditions. The amount owed by the Company to trade creditors at the end of the financial year represented 17 days of daily purchases for the Company (2012: 44 days).

Charitable and political contributions
During the period, the Group made charitable donations of £7,752 to local causes (2012: £600). There were no political donations during the period (2012: 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

Statement of Directors' 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 in accordance with the Companies Act 2006 and applicable regulations.

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 2013 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 28. 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. 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 2013 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 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 2013.

Daniel Trotman
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
10 July 2013

Consolidated Income Statement

For the year ended 31 March 2013

	Notes	Year ended 31 March 2013 £000	15 months 31 March 2012 £000
Revenue	2	**68,304**	22,120
Cost of sales:			
Depletion, depreciation and amortisation		**(9,975)**	(3,203)
Other costs of sales		**(28,067)**	(8,838)
Total cost of sales		**(38,042)**	(12,041)
Gross profit		**30,262**	10,079
Administrative costs		**(8,351)**	(4,956)
Costs relating to acquisitions		**(59)**	(2,986)
Impairment of exploration and evaluation assets		**(1,093)**	(42)
Other income		**225**	235
Profit/(loss) on oil price swaps		**938**	(18,512)
Operating profit/(loss)	3	**21,922**	(16,182)
Finance income	6	**447**	2,374
Finance costs	6	**(28,368)**	(4,089)
Net finance costs		**(27,921)**	(1,715)
Loss on ordinary activities before tax		**(5,999)**	(17,897)
Income tax (charge)/credit	7	**(12,356)**	5,773
Loss from continuing operations attributable to equity shareholders of the Group		**(18,355)**	(12,124)
Basic and diluted loss per share (pence/share)	8	**(11.11p)**	(8.14p)
Adjusted basic (loss)/profit per share (pence/share)	8	**(1.91p)**	5.64p
Adjusted diluted (loss)/profit per share (pence/share)	8	**(1.91p)**	5.43p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Year ended 31 March 2013 £000	15 months 31 March 2012 £000
Loss for the period	**(18,355)**	(12,124)
Other comprehensive income for the period	**–**	–
Total comprehensive loss for the period	**(18,355)**	(12,124)

Consolidated Balance Sheet

As at 31 March 2013

	Notes	31 March 2013 £000	31 March 2012 £000
Non-current assets			
Intangible exploration and evaluation assets	11	**58,668**	57,237
Property, plant and equipment	12	**138,378**	100,545
Goodwill	10	**34,339**	23,515
		231,385	181,297
Current assets			
Inventories	14	**1,056**	716
Trade and other receivables	15	**8,569**	12,113
Cash and cash equivalents	16	**9,831**	7,915
Other Financial Assets – Restricted cash	16	**102,865**	–
		122,321	20,744
Current liabilities			
Trade and other payables	17	**(14,056)**	(10,480)
Current tax liabilities		**(3,006)**	(3,167)
Finance lease liability	22	**–**	(51)
Borrowings – Macquarie	18	**(89,710)**	(16,475)
Borrowings – Bond	18	**(5,466)**	–
Other liabilities	19	**(8,208)**	(2,806)
Derivative financial instruments	23	**(10,001)**	(8,713)
		(130,447)	(41,692)
Net current liabilities		**(8,126)**	(20,948)
Total assets less current liabilities		**223,259**	160,349
Non-current liabilities			
Borrowings – Macquarie	18	**–**	(58,477)
Borrowings – Bond	18	**(94,942)**	–
Derivative financial instruments	23	**–**	(7,979)
Deferred tax liabilities	7	**(40,194)**	(20,552)
Provisions	20	**(29,005)**	(18,383)
		(164,141)	(105,391)
Net assets		**59,118**	54,958
Capital and reserves			
Called up share capital	24	**56,646**	54,213
Share premium account	25	**37,747**	18,036
Other reserves	26	**(797)**	(1,140)
Accumulated deficit		**(34,478)**	(16,151)
Shareholders' funds		**59,118**	54,958

These financial statements were approved and authorised for issue by the Board on 10 July 2013 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 2013

	Called up share capital (Note 24) £000	Share premium account (Note 25) £000	Other reserves (Note 26) £000	Accumulated deficit £000	Total £000
Balance at 1 January 2011	**19,665**	**2,500**	**(1,236)**	**(4,201)**	**16,728**
Changes in equity for 15 months ended 31 March 2012					
Total comprehensive loss for the period	–	–	–	(12,124)	(12,124)
Capital contribution	–	–	47	–	47
Employee share plans cost under IFRS2 (note 26)	–	–	49	174	223
Issue of shares during the period	34,548	15,536	–	–	50,084
Balance at 31 March 2012	**54,213**	**18,036**	**(1,140)**	**(16,151)**	**54,958**
Changes in equity for year ended 31 March 2013					
Total comprehensive loss for the period	–	–	–	(18,355)	(18,355)
Employee share plans cost under IFRS 2 (note 26)	–	–	343	28	371
Issue of shares during the period	2,433	19,711	–	–	22,144
Balance at 31 March 2013	**56,646**	**37,747**	**(797)**	**(34,478)**	**59,118**

Consolidated Cash Flow Statement

For the year ended 31 March 2013

	Notes	Year ended 31 March 2013 £000	15 Months ended 31 March 2012 £000
Operating activities:			
Loss before tax for the year/period		**(5,999)**	(17,897)
Depreciation, depletion and amortisation	3	**10,152**	3,354
Share based payment charge		**347**	1,117
(Gain)/loss on derivative financial instruments		**(6,939)**	16,160
Finance income	6	**(447)**	(2,374)
Finance costs, including unwinding of discount of decommissioning	6	**28,368**	4,286
Decrease/(increase) in trade and other receivables		**4,473**	(3,866)
Increase in trade and other payables, net of accruals related to investing activities		**(2,287)**	(1,025)
Decrease/(increase) in inventories		**17**	(34)
Impairment		**1,093**	42
Abandonment costs incurred		**(29)**	(18)
Other non-cash adjustments		**(122)**	3
Bad debt provision		**252**	–
Taxation paid		**(1)**	(2,340)
Net cash from/(used in) operating activities		**28,878**	(2,592)
Investing activities			
Acquisition of exploration and evaluation assets		**(2,453)**	(17,880)
Acquisition of property, plant and equipment		**(1,123)**	(653)
Acquisitions	9	**(13,877)**	(79,630)
Interest received		**25**	336
Net cash used in investing activities		**(17,428)**	(97,827)
Financing activities			
Cash proceeds from issue of Ordinary Share Capital	24	**23,114**	20,625
Share issue costs	24	**(970)**	(681)
Capital contribution	24	**–**	47
Interest paid	6	**(6,727)**	(2,143)
Cash proceeds from loans and borrowings		**21,410**	84,569
Loan issue costs		**(1,887)**	(3,141)
Repayment of loans and borrowings		**(16,735)**	(3,100)
Repayment of assumed borrowings and associated fees relating to acquisitions		**(28,286)**	–
Repayment of finance lease/hire purchase agreement		**(51)**	(21)
Net cash (used in)/from financing activities		**(10,132)**	96,155
Net increase/(decrease) in cash and cash equivalents in the year/period		**1,320**	(4,264)
Net foreign exchange difference		**596**	92
Cash and cash equivalents at the beginning of the year/period		**7,915**	12,087
Cash and cash equivalents at the end of the year/period	16	**9,831**	7,915

Consolidated Financial Statements – Notes

As at 31 March 2013

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 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 2013 and with the Companies Act 2006. The accounting period is not comparable with the 15 month prior period as this period was extended to align to the year end of the then newly acquired entity Star Energy Group Limited. The accounts were approved by the board and authorised for issue on 10 July 2013. 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.

During the period, the Group adopted the following new and amended IFRS which were applicable to the Group's activities as of 1 April 2012.

International Accounting Standards (IFRS/IAS):

IAS 12	Income Taxes (Amendment) – Deferred Taxes – Recovery of Underlying Assets – The amendment clarified the determination deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The Group has considered the effect of this amendment and has concluded that there is no impact on the financial statements.	1 January 2012

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 2012 or later periods and which the Group has not adopted early. Those that may be applicable to the Group in future are as follows:

International Accounting Standards (IFRS/IAS)		For financial period commencing on or after*
IAS 1	Amendment to IAS 1 – Financial Statement Presentation – This amendment changes the grouping of items presented in the 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 will have no impact on the Group's financial position or performance.	1 July 2012
IFRS 9	IFRS 9 – Financial Instruments: Classification and Measurement – IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.	1 January 2015
IFRS 7/IAS 32	IFRS 7/IAS 32 – The amendments to IAS 32 and 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 clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014. The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013. The Group is currently assessing the impact that these amendments will have on its financial position.	1 January 2013 1 January 2014
IFRS 10	IFRS10 – 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 will require 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.	1 January 2013

Consolidated Financial Statements – Notes continued

1 Accounting policies continued

IFRS 11	IFRS11 – Joint Arrangements – IFRS11 establishes the principles of the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS31. It removes the option for jointly controlled entities (JCE) using proportionate consolidation.	1 January 2013
IFRS 12	IFRS12 – Disclosures of involvement with other entities – IFRS12 combines, enhances and replaces the disclosure requirement for subsidiaries, joint arrangements, associates and in consolidated structured entities.	1 January 2013
IFRS 13	IFRS 13 – Fair Value Measurement – IFRS13 defines fair value, setting out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value.	1 January 2013
IAS 28	IAS28 – Investments in Associates and Joint Venture – IAS28 has been renamed as a consequence of the new IFRS 11 and IFRS 12 and describes the application of the method to investments in joint venture in addition to associates.	1 January 2013
IAS 27 Revised	IAS 27 Revised – Consolidated and Separate Financial Statements. The objective of the Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013

* 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 Directors do 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's principal activity and principal risks and uncertainties are set out in the Directors' report. The ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its Bond, which in turn is dependent on the Group not breaching covenants. Under the Bond, the Group drew down from escrow US$165m of funds in April 2013. The Group regularly monitors forecasts to determine that breaches 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. The Group is protected to a material degree against volatility in the oil price, by having a significant proportion of its production hedged at US$90 and £58 per barrel until 31 March 2014. Despite this, there can be no certainty that these forecasts will be achieved, in which case the financial covenants could be breached. Should any breach be anticipated to arise, the Group would manage its working capital profile, reduce discretionary expenditure where necessary and, if applicable, take additional mitigating actions that have already been identified as a precautionary measure. The Directors consider that the expected operating cash flows of the Group combined with the current Bonds give them confidence that the Group has adequate resources to continue as a going concern. The financial statements have, therefore, been prepared on the going concern basis.

(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 2013, the Group comprised the Company and entities controlled by IGas Energy plc (its subsidiaries) made up to the reporting period at this date. The results of subsidiaries acquired during the period 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.

1 Accounting policies continued

e) Interest in associates

An associate is an entity in which the Group has a long-term equity interest and over which it has significant influence, but not control, through participation in the financial and operating policy decision of the investee. Significant influence can change if, for example, the entity goes into administration or liquidation.

This results in assets and liabilities of associates being incorporated in these financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Where the Group's share of any retained loss in an associate exceeds its investment, the Group's investment is capped at zero. Should the associate subsequently report profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. The Group's Income Statement reflects the share of the associate's results after tax. Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(f) Joint ventures

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 jointly controlled assets, 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.

(g) Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions 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, estimates and assumptions 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.

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 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 and production and reserves, discussed further below.

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 gas and oil property, plant and equipment as well as being a significant estimate affecting decommissioning provisions and impairment calculations. 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 proven and probable reserves, forecast price levels and technology at the balance sheet date. Provision is made for the estimated cost at the balance sheet date, using discounted cash flow methodology and a risk free rate of return. Details of the Group's decommissioning costs are disclosed in note 20.

Consolidated Financial Statements – Notes continued

1 Accounting policies continued

Business combinations

When the Group acquires a business, it assesses the fair value of the assets 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 discounted cash flow models to reflect the revenues and expenditures related to the extraction of those reserves. 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 year and prior period 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. This can have a significant impact on the consolidated results of the Group based on the foreign currency translation methods used.

(h) 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.

(i) 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, 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 an 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.

(j) 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.

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:

- Exploration and evaluation assets are carried at cost less any impairment and are not depreciated or amortised.
- 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, materials and consumables, equipment costs and payments made to contractors.
- 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.
- 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.
- 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.

1 Accounting policies continued

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:

- 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 whenever events or changes in circumstances indicate 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.
- 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 relies on fair value less cost to sell assessed either by reference to comparable market transactions between a willing buyer and a willing seller or on the same basis as used by willing buyers and sellers in the oil and gas industry. When assessing value in use, 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 or 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 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.

(k) 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.

Consolidated Financial Statements – Notes continued

1 Accounting policies continued

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.

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 and foreign exchange rate 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 remeasured 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.

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.

(l) 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 cashflows are revised, borrowings are remeasured using the revised cash flow estimates under the original effective interest rate.

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.

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.

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 profit or loss in the period in which they are incurred.

(m) 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 on a straight line basis over the period of the lease.

1 Accounting policies continued

Finance leases

Assets under finance leases are included under 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.

(n) 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.

(o) Taxation

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

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. Taxable (loss)/profit differs from the (loss)/profit 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. 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 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.

(p) 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 immediately before and 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.

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.

(q) 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.

Consolidated Financial Statements – Notes continued

1 Accounting policies continued
(r) 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.

(s) 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 the 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 segment and assess its 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 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. £61.7 million of the Group's revenue was derived from two customers (2012: £21.9 million).

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

3 Operating profit/loss

	Year ended 31 March 2013 £000	15 Months ended 31 March 2012 £000
Operating profit/(loss) is stated after charging:		
Staff Costs (see note 4)	**10,507**	4,659
Depletion, depreciation and amortisation	**10,152**	3,354
Impairment	**1,093**	42
Auditor's remuneration:		
Audit fee	**207**	173
Audit of accounts of any associate of the Company	**140**	80
Audit-related assurance of services	**117**	18
All taxation advisory services other than tax compliance	**–**	96
Non-assurance services	**41**	–
Services relating to corporate finance transactions	**–**	400
Operating lease charges:		
Land and buildings	**1,464**	522
Other	**197**	51

4 Employee information

	Year ended 31 March 2013 £000	15 Months ended 31 March 2012 £000
Staff costs comprised:		
Wages and salaries	**8,872**	3,676
Social Security Costs	**790**	556
Company contribution to pension scheme	**571**	260
Employee share based payment cost under IFRS 2	**274**	167
	10,507	4,659

	No.	No.
Average number of employees in the period:		
Operations, including services	**112**	34
Administrative	**41**	14
	153	48

At 31 March 2013 the Group had 162 employees (2012:152 employees). In the year ended 31 March 2013 £635 thousand (2012 – £703 thousand) of the Group's remuneration costs has been capitalised in accordance with the Group's accounting policy.

5 Directors' emoluments

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

Executive Directors	Year ended 31 March 2013 Salary/Fees £000	Bonus £000	Taxable Benefits £000	Pensions £000	Total £000	15 Months ended 31 March 2012 Total £000
A Austin – Chief Executive Officer	**260**	**459***	**2**	**39**	**760**	464
S Bowler – CFO (Appointed 01 November 2011)	**200**	**152**	**1**	**30**	**383**	111
J Blaymires – COO	**200**	**120**	**2**	**30**	**352**	324
B Cheshire – Executive Technical Director (Resigned 20 June 2011)	–	–	–	–	–	50
Total – Executive Directors	**660**	**731**	**5**	**99**	**1,495**	949

Non-Executive Directors	Emoluments £000	Other Consultancy Services £000	Taxable Benefits £000	Pensions £000	Total £000	Total £000
F Gugen – Non-Executive Chairman	**80****	–	–	–	**80**	100
J Bryant – Senior Independent	**45****	–	–	–	**45**	91
R Pinchbeck (Appointed 11 July 2012)	**25**	–	–	–	**25**	nil
C McDowell (Appointed 20 December 2012)	**10**	–	–	–	**10**	nil
R Armstrong (Resigned 20 December 2012)	**34**	–	–	–	**34**	79
J Hamilton (Resigned 20 December 2012)	**47****	–	–	–	**47**	64
Total – Non-Executive Directors	**241**	–	–	–	**241**	334

* £175 thousand of this bonus amount was in relation to the Star acquisition.
** Part of these emoluments are paid to companies that provide the services.

Directors' share schemes/warrants

At 31 March 2013 the Executive Directors held the following awards under the Long Term Incentive Plans and the Share Option scheme as follows:

Long Term Incentive Plans

	Year ended 31 March 2013 Number	Exercise price (p/share)	15 months ended 31 March 2012 Number	Exercise price (p/share)
A Austin	**1,029,702**	–	1,029,702	–
J Blaymires	**681,743**	–	681,743	–
S Bowler	**396,040**	–	396,040	–

6 Finance income and costs

	Year ended 31 March 2013 £000	15 months ended 31 March 2012 £000
Finance income:		
Interest on short-term deposits	**26**	373
Gain on fair value of warrants (note 19)	–	1,651
Foreign exchange gains	**421**	350
Finance income recognised in income statement	**447**	2,374
Finance expense:		
Finance lease charges	**25**	1
Interest on borrowings – Macquarie	**8,882**	3,165
Interest on borrowings – Macquarie debt costs written off under amortised cost*	**7,647**	–
Interest on borrowings – Bond	**322**	–
Interest expense	**16,876**	3,166
Loss on interest rate swaps	**573**	632
Foreign exchange loss	**3,696**	94
Unwinding of discount on provisions	**457**	197
Loss on fair value of warrants (note 19)	**5,402**	–
Finance charges – early settlement fees for assumed Singleton loan	**1,364**	–
Finance expense recognised in income statement	**28,368**	4,089

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

Consolidated Financial Statements – Notes continued

7 Tax charge/(credit) on loss on ordinary activities

	Year ended 31 March 2013 £000	15 months ended 31 March 2012 £000
UK corporation tax:		
Current tax on income for the period	–	–
Adjustments in respect of prior periods	**(161)**	–
Total current tax charge/(credit)	**(161)**	–
Deferred tax:		
Current year/period charge/(credit) relating to the origination or reversal of temporary differences	**13,274**	(5,773)
Credit in relation to prior periods	**(757)**	–
Total deferred tax charge/(credit)	**12,517**	(5,773)
Tax charge/(credit) on profit or loss on ordinary activities	**12,356**	(5,773)

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

	Year ended 31 March 2013 £000	15 months ended 31 March 2012 £000
(Loss) on ordinary activities before tax	**(5,999)**	(17,897)
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% (2012: 62%)	**(3,719)**	(11,096)
Prior year deferred tax credit	**(757)**	–
Prior year current tax credit	**(161)**	–
Tax effect of expenses not allowable for tax purposes	**720**	565
Tax effect of expenses not allowable for supplementary charge purposes	**4,883**	135
Impact of profits or losses taxed or relieved at different rates	**7,389**	2,364
Net increase in unrecognised losses carried forward	**3,981**	2,259
Other	**20**	–
Tax charge/(credit) on loss on ordinary activities	**12,356**	(5,773)

Following the acquisition of Star in December 2011 and P.R. Singleton in February 2013, 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%, rather than the small companies rate of 20% borne by the Group prior to the acquisition.

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 £49 million of ring-fence corporation tax losses and £25 million of supplementary charge losses.

The Group has further tax losses and other similar attributes carried forward of approximately £65 million (2012: £53 million) on which no deferred tax 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.

The movement on the deferred tax liability is shown below:

	Year ended 31 March 2013 £000	15 months ended 31 March 2012 £000
Opening liability at beginning of year/period	**20,552**	–
Tax credit relating to prior year/period	**(757)**	–
Tax charge/(credit) during the year/period recognised in income statement	**13,274**	(5,773)
Deferred tax liability arising from business combinations	**7,125**	26,325
Closing liability at end of year/period	**40,194**	20,552

7 Tax charge/(credit) on loss on ordinary activities continued

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

	31 March 2013 £000	31 March 2012 £000
Accelerated capital allowances	**83,242**	58,458
Tax losses carried forward	**(23,910)**	(16,601)
Decommissioning provision	**(13,222)**	(11,244)
Unrealised gains or losses on derivative contracts	**(5,718)**	(10,147)
Share based payments	**(198)**	(40)
Other	**–**	126
Deferred Tax Liabilities	**40,194**	20,552

8 Earnings per share (EPS)

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

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 period 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 EPS amounts are calculated by dividing the loss for the period, after adjusting for one-off costs relating to acquisitions and "mark to market" valuation adjustments 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 period.

Diluted adjusted EPS amounts are calculated by dividing the loss for the period, after adjusting for one-off costs relating to acquisitions and "mark to market" valuation adjustments which do not reflect the trading of the Group, attributable to the ordinary equity holders of the parent by the diluted adjusted weighted average number of shares outstanding during the period.

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

	Year ended 31 March 2013 £000	15 months ended 31 March 2012 £000
Basic EPS – Ordinary Shares of 10p each (Pence)	**(11.11p)**	(8.14p)
Diluted EPS – Ordinary Shares of 10p each (Pence)	**(11.11p)**	(8.14p)
Adjusted EPS – Ordinary Shares of 10p each (Pence)	**(1.91p)**	5.64p
Adjusted Diluted EPS – Ordinary Shares of 10p each (Pence)	**(1.91p)**	5.43p
Loss for the year attributable to equity holders of the parent – £000	**(18,355)**	(12,124)
Add back: (Gain)/loss on oil price swaps	**(938)**	18,512
Loss on interest rate swaps	**573**	632
Acquisition costs	**59**	2,986
Impairment of exploration and evaluation assets	**1,093**	42
Loss/(gain) on revaluation of warrants	**5,402**	(1,651)
Early settlement fees for assumed Singleton loan	**1,364**	–
Debt costs written off	**7,647**	–
Adjusted (loss)/profit for the year	**(3,155)**	8,397
Weighted average number of Ordinary Shares in the year – basic EPS, diluted EPS and adjusted basic EPS	**165,257,078**	148,947,106
Weighted average number of Ordinary Shares in the year – adjusted diluted EPS	**165,257,078**	154,760,053

There are 24,682,523 potentially dilutive warrants and options over the Ordinary Shares at 31 March 2013 (2012: 23,855,505), which are not included in the calculation of diluted earnings per share and adjusted earnings per share in 2013 because they were anti-dilutive for the period as their conversion to Ordinary Shares would decrease the loss per share.

Consolidated Financial Statements – Notes continued

9 Acquisitions

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 £13.9 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 fair value allocation to Singleton's assets and liabilities is provisional subject to further analysis of the oil and gas properties acquired including the Baxter's Copse and Burton Down fields.

Assets acquired and liabilities assumed

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

	Provisional fair value £'000
Assets	
Property, plant and equipment (Note 12)	41,568
Cash and cash equivalents	–
Trade and other receivables	1,178
Inventories	362
	43,108
Liabilities	
Borrowings	(26,939)
Deferred tax liabilities	(7,125)
Provisions (Note 20)	(4,776)
	(38,840)
Total identifiable net assets at fair value	**4,268**
Purchase consideration transferred plus provisional working capital adjustments*	**15,092**
Goodwill	**10,824**

* Upon acquisition the Group settled the assumed borrowings. The settlement of the borrowings and consideration were financed by a £21.4 million facility with Macquarie Bank Limited and £20.8 million of existing IGas cash resources. £13.9 million was paid for the acquisition at completion date and a further £1.2 million is payable for working capital.

The fair value of contractual receivables amounts to £0.9 million. The gross value of the contractual receivables amounts to £0.9 million, with £nil not expected to be received.

Accrued transaction costs in respect of the Singleton acquisition of £59 thousand have been recognised in the Income Statement.

From the date of acquisition, Singleton has contributed £1 million of revenue and £1.3 million loss towards the net loss before tax of the Group. If the combination had taken place at 1 April 2012, the Group's revenue from continuing operations for the year would have been £78.0 million and the Group's operating loss before tax and acquisition costs for the Group would have been £2.6 million.

The goodwill of £10.8 million is discussed further in note 10.

Analysis of cash flows on acquisition

	£'000
Consideration paid for Singleton (included in cash flows relating to investing activities)	13,877
Net cash flow on acquisition of Singleton	**13,877**

Acquisition of Star Energy Group Limited

On 14 December 2011, the Group acquired the entire issued share capital of Star Energy Group Limited ("Star"), an unlisted oil and gas exploration and production Company for a cash consideration of £110 million. The acquisition of Star added a portfolio of 25 UK onshore licences, occupying or owning 105 sites with an inventory of 247 wells (of which 85 are currently still in operation), a number of development and exploration opportunities and an experienced execution team.

The Group funded the acquisition by way of a US$135 million debt facility from Macquarie Bank Limited; cash generated by Star and held in escrow prior to closing and IGas' existing cash resources.

9 Acquisitions continued

The accounting for the acquisition of Star as of 14 December 2011 (acquisition date) was only provisionally determined in respect of the fair values of certain assets acquired and liabilities assumed. During the year ended 31 March 2013, 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	Acquired final fair values £'000
Assets				
Intangible exploration and evaluation assets	3,775	–		3,775
Property, plant and equipment	108,739	(5,698)	1, 5	103,041
Investment in associate	–	–		–
Cash and cash equivalents	30,707	–		30,707
Trade and other receivables	6,809	–		6,809
Inventories	1,368	–		1,368
	151,398	**(5,698)**		**145,700**
Liabilities				
Trade and other payables	(9,685)	–		(9,685)
Current tax liabilities	(5,934)	394	2	(5,540)
Deferred tax liabilities	(29,004)	2,679	3,5	(26,325)
Provisions	(12,324)	(5,291)	4	(17,615)
	(56,947)	**(2,218)**		**(59,165)**
Total identifiable net assets at fair value	**94,451**	**(7,916)**	5	**86,535**
Purchase consideration transferred	**110,050**	**–**		**110,050**
Goodwill	**15,599**	**7,916**		**23,515**

1. Write down based on final external valuation for land acquired
2. Final tax computations based on the final acquisition balance sheet
3. Revision based on adjustments made to property, plant and equipment and provisions
4. Revision based on re-assessment of future decommissioning liability
5. The adjustments to finalise the accounting for the acquisition have been amended as compared to those reported in the Interim Report for the six months ended 30 September 2012 in order to correct the valuation of property, plant and equipment which had been overstated by £4.4 million. In addition to reducing the assets by £4.4 million, this adjustment decreased related deferred tax liabilities by £2.8 million and goodwill has increased by £1.6 million. In addition deferred tax at acquisition date has been increased by £4.2m following further analysis of assets acquired and related tax attributes. This adjustment has increased goodwill by a corresponding amount.

10 Goodwill

	31 March 2013 £000	31 March 2012 £000
Opening balance	**23,515**	–
Acquisitions	**10,824**	23,515
Accumulated impairment losses	**–**	–
	34,339	23,515

Goodwill of £10.8 million was generated in the period, as described in note 9 above.

Goodwill all relates to the acquisitions of Star and PR Singleton 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; and
4) the considerable potential for discovery of additional reserves of both conventional and unconventional resources in Star's and PR Singleton's licence areas.

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 review of goodwill as at 31 March 2013. The Group assessed whether goodwill was impaired by calculating the 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.

Consolidated Financial Statements – Notes continued

10 Goodwill continued

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

- Production volumes
- Crude oil prices
- Discount rate

Estimated 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.

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 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 2013 is 19 per cent. The period over which the Group has projected cash flows is in excess of five years and is believed to be appropriate 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.

11 Intangible exploration and evaluation assets

	Exploration and evaluation £000
Cost	
At 1 January 2011	4,644
Additions	19,132
Acquisitions*	33,485
Changes in decommissioning	18
Impairment	(42)
At 31 March 2012	57,237
Additions	2,501
Changes in decommissioning	23
Impairment	(1,093)
At 31 March 2013	58,668
Amortisation and Impairment	
At 1 January 2011	–
Charge for the period	–
At 31 March 2012	–
Charge for the year	–
At 31 March 2013	–
Net book amount	
At 31 March 2012	57,237
At 31 March 2013	58,668

* Included in the prior year acquisition is £29.7 million relating to the acquisition of IGas Exploration UK Limited

£1.1 million of costs were impaired during the year (2012: £42 thousand) relating to expenditure on a site (PEDL 115) where no future exploration activity was planned and the license was therefore relinquished.

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 January 2011	179	–	–	–	21	20	220
Additions	–	–	–	592	72	8	672
Disposals	–	–	–	–	(19)	(8)	(27)
Acquisitions	–	866	539	99,837	593	1,206	103,041
At 31 March 2012	179	866	539	100,429	667	1,226	103,906
Additions	–	–	–	1,055	28	–	1,083
Disposals	–	–	–	(29)	(14)	(173)	(216)
Acquisitions	–	–	–	41,566	2	–	41,568
Changes in decommissioning	–	–	–	5,396	–	–	5,396
At 31 March 2013	**179**	**866**	**539**	**148,417**	**683**	**1,053**	**151,737**
Depreciation and Impairment							
At 1 January 2011	6	–	–	–	4	5	15
Charge for the period	25	–	336	2,756	139	98	3,354
Disposals	–	–	–	–	–	(8)	(8)
At 31 March 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**
Net book amount							
At 31 March 2012	148	866	203	97,673	524	1,131	100,545
At 31 March 2013	**128**	**866**	**39**	**136,138**	**347**	**860**	**138,378**

Included in the total net book value of fixed assets is nil (2012: £210 thousand) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was nil (2012: £12 thousand).

Under the terms of the facility agreement, Macquarie Bank Limited has a fixed and floating charge over all these assets. This charge was released on the 10 April 2013 when the Macquarie loan was settled and was replaced with the Bond.

13 Investment in associate

Associate

Details of the Groups associate as at 31 March 2013 are as follows:

Associate	Country of incorporation	Principal activity	Class and percentage of shares held
Larchford Limited	United Kingdom	Oil rig contractor	33% Ordinary shares of £1 each

Larchford (in which a 33% interest was acquired as part of the acquisition of Star) was already in significant financial difficulties at the time that the Group purchased Star, and the company went into liquidation on March 6, 2012. As a result, the Group has ceased to have any significant influence over the company and the investment has a £nil value at 31 March 2013 (2012: £nil). Receivables due from Larchford are included in note 15.

Consolidated Financial Statements – Notes continued

14 Inventories

	31 March 2013 £000	31 March 2012 £000
Oil Stock	**836**	429
Drilling materials	**43**	42
Maintenance materials	**177**	245
	1,056	716

15 Trade and other receivables

	31 March 2013 £000	31 March 2012 £000
VAT recoverable	**305**	1,454
Trade debtors	**6,529**	8,656
Other debtors	**404**	220
Amount due from Larchford	**–**	252
Prepayments	**1,331**	1,531
	8,569	12,113

Trade receivables are non-interest bearing and are generally on 30 day terms.

Of the Group's financial assets as stated above £nil thousand (2012: £878 thousand) were past due at the reporting date. An impairment of £252 thousand has been provided against the amounts due from Larchford (2012: £626 thousand). The ageing of the financial assets (trade debtors, other debtors and amounts due from associate) is as follows:

	31 March 2013 £000	31 March 2012 £000
Not yet due	**6,783**	8,876
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	**–**	252
	6,783	9,128

16 Cash and cash equivalents

	31 March 2013 £000	31 March 2012 £000
Cash at bank and in hand	**9,831**	7,915
	9,831	7,915

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 2013 £000	31 March 2012 £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 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 the hedges. The remainder is being used for general corporate purposes of the Group. See note 28 for further details of refinancing.

17 Current liabilities

	31 March 2013 £000	31 March 2012 £000
Trade and other payables:		
Trade creditors	**2,102**	3,509
Employment related taxation	**209**	717
Accruals and other creditors	**11,745**	6,254
	14,056	10,480

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 (2012: all within one month).

18 Borrowings

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

	31 March 2013			31 March 2012		
	Within 1 year £000	Greater than 1 year £000	Total £000	Within 1 year £000	Greater than 1 year £000	Total £000
Macquarie – Facility A**	**38,673**	**–**	**38,673**	16,475	32,818	49,293
Macquarie – Facility B**	**29,634**	**–**	**29,634**	–	25,659	25,659
Macquarie – Facility C	**21,403**	**–**	**21,403**	–	–	–
Sub total	**89,710**	**–**	**89,710**	16,475	58,477	74,952
Issued Bonds*	**5,466**	**94,942**	**100,408**	–	–	–
Sub total	**5,466**	**94,942**	**100,408**	–	–	–
Total	**95,176**	**94,942**	**190,118**	16,475	58,477	74,952

* Transaction costs of raising debt of £2.8 million (**2012: £7.6 million) have been netted off against the liability

Macquarie financing

On 21 November 2011 the Company and Macquarie entered into a senior secured facility agreement (the "Credit Agreement") which were repaid on 10 April 2013. On 11 February 2013 the Company signed an expansion of the existing loan facility with Macquarie to increase the amount available to draw down from facility C, which was repaid on 10 April 2013.

The Credit Agreement consisted of three separate facilities:

(i) Facility A: US$ 90,000,000 5 year senior secured term loan, carrying interest at 5.5% over LIBOR and a 2% commitment fee;
(ii) Facility B: US$ 45,000,000 5 year senior secured term loan, carrying interest at 12% above LIBOR and a commitment fee of 3.5%; and
(iii) Facility C: US$ 90,000,000 3 year senior secured term loan of which US$32.5 million was drawn down, carrying interest at 12% above LIBOR and a commitment fee of US$2 million on initial drawdown, with a 2% fee thereafter.

The Credit Agreement contains certain representations, warranties and covenants customary for a credit facility 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 Credit Agreement also contains customary events of default, the occurrence of which allow Macquarie (and any other lender that accedes to the Credit Agreement) to accelerate outstanding loans and terminate the commitments. The facilities are required to be repaid in full on the date that is 60 months following the completion of the Acquisition of Star Energy Group Limited, or on a change of control or the sale of the assets of the Group.

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 at 31 March to take into account the change in the estimated future cashflows. The re-estimation resulted in a difference of £7.6 million which is recognised is recognised in finance costs in the income statement for the year.

On 10 April 2013, the loan with Macquarie (Facility A, B and C) was repaid in full. This was funded by the cash raised from the issuance of the Bonds. The table below summarises the Macquarie loan balance upon repayment.

	£000
Macquarie debt at amortised cost (per above)	(89,710)
Accrued interest to 10 April 2013	(305)
Repayment of borrowings and accrued interest	90,015
	–

Consolidated Financial Statements – Notes continued

18 Borrowings continued
Bond issuance
On 21 March 2013, the Company and Norsk Tillitsmann ("Bond Trustee") entered into a Bond Agreement for the Company to issue up to 165 million US$1 Bonds (the "Bond"). At 31 March 2013 US$156.2 million of bonds had been sold 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 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.

Further details regarding the Group's refinancing can be found in note 28.

19 Other liabilities

	£000
At 1 January 2011	–
Warrants issued during period	4,457
Revaluation gain	(1,651)
As at 31 March 2012	2,806
Warrants issued during year	–
Revaluation loss	5,402
As at 31 March 2013	**8,208**

Warrants issued to Macquarie Bank under the Facilities Agreement 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 IAS39 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 0.62% and an implied volatility of 37.04% at 31 March 2013. It was also assumed that no dividends would be paid during the life of the warrants.

Movement during the period was as follows:

	No	Weighted average exercise price (pence)
At 1 January 2011	–	–
Granted in period	21,286,646	55.8
Lapsed in period	–	–
Outstanding at 31 March 2012	21,286,646	55.8
Exercisable at 31 March 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**

The weighted average remaining contractual life for the warrants outstanding as at 31 March 2013 is 4.75 years.

20 Provisions for liabilities and charges

	31 March 2013			31 March 2012		
	Decommissioning £000	Other £000	Total £000	Decommissioning £000	Other £000	Total £000
At the beginning of the year/period	**18,283**	**100**	**18,383**	–	–	–
New provisions	**–**	**–**	**–**	445	–	445
Acquisition of a subsidiary	**4,776**	**–**	**4,776**	17,598	160	17,758
Unwinding of discount	**457**	**–**	**457**	197	–	197
Reassessment of decommissioning provision/ liabilities	**5,419**	**–**	**5,419**	–	–	–
Utilisation/write back of provision	**(5)**	**(25)**	**(30)**	43	(60)	(17)
At the end of the period	**28,930**	**75**	**29,005**	18,283	100	18,383

Included in the prior year acquisition of subsidiary is £143 thousand relating to the acquisition of IGas Exploration UK Limited.

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 one 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 2013 (2012: Risk free rate range of 0.35% to 3.16%).

21 Pension Scheme

The Group operates a defined contribution pension scheme. The pension charge for the year ended 31 March 2013 represents contributions payable by the Group to pension funds and amounted to £571,000 (2012: £260,000).

Contributions amounting to £97,500 (2012: £84,000) were accrued at 31 March 2013 and are included in creditors.

22 Commitments

The Group's capital and lease commitments comprised:

	31 March 2013 £000	31 March 2012 £000
Capital Commitment:		
Obligation under 13th licensing round	**2,000**	2,000
Total capital commitments	**2,000**	2,000

Finance lease commitments

The Group used finance leases to acquire property, plant and equipment with a net book value of nil (2012: £210,000). These leases had terms of renewal but no purchase options or escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments under finance leases are set out below:

	31 March 2013 £000	31 March 2012 £000
Future minimum lease payments payable within:		
1 year	**–**	52
1–2 years	**–**	–
2–3 years	**–**	–
	–	52
Less finance charge	**–**	1
Net obligations	**–**	51
Of which – payable within 1 year	**–**	51
– payable within 1 to 2 years	**–**	–
– payable within 2 to 3 years	**–**	–
	–	51

Security is given for net obligations under finance leases falling due within one year and after more than one year with a fixed charge over the relevant assets of the Group relative to the amount outstanding.

Consolidated Financial Statements – Notes continued

22 Commitments continued

Operating lease commitments:

	Year ended 31 March 2013 £000	15 months ended 31 March 2012 £000
Minimum lease payments under operating leases recognised in profit for the year/period	**1,661**	573
At the balance sheet date the Group had minimum lease payments under non-cancellable operating lease for each of the following years:		
– expiring within 1 year	**496**	307
– expiring within 2 to 5 years	**1,634**	520
– over 5 years	**378**	–
Total	**2,508**	827

23 Financial instruments and risk management

In accordance with IFRS 7, the Group has detailed the financial instruments and risk management as at the balance sheet date.

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the financial instruments that are carried in the consolidated balance sheet.

	Carrying amount		Fair value	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Financial assets				
Loans and receivables				
Cash and cash equivalents[1]	**9,831**	7,915	**9,831**	7,915
Other financial assets – restricted cash[1]	**102,865**	–	**102,865**	–
Trade and other receivables[1]	**6,783**	9,128	**6,783**	9,128
Financial liabilities				
Amortised cost				
Finance lease[2]	**–**	51	**–**	51
Borrowings (floating rate)[2]	**89,710**	74,952	**89,710**	82,296
Borrowings (fixed rate)[2]	**100,408**	–	**103,150**	–
Trade and other payables[1]	**2,102**	3,509	**2,102**	3,509
Fair value through profit and loss				
Commodity price swaps[3,4]	**9,222**	16,161	**9,222**	16,161
Interest rate swaps[3]	**779**	532	**779**	532
Warrants[5]	**8,208**	2,806	**8,208**	2,806

1 The carrying values of cash and cash equivalents, other financial assets, short-term receivables and payables are assumed to approximate their fair values where discounting is not material
2 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
3 The fair value of commodity price swaps and interest rate swaps are determined using discounted cash flow analysis at quoted commodity prices and interest rates
4 Some 55% of the commodity price swaps include an embedded foreign currency forward which has not been accounted for or valued separately
5 The fair value of warrants is estimated using a Black-Scholes valuation model

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- 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.

23 Financial instruments and risk management continued

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 2013				
Commodity price swaps	–	**9,222**	–	**9,222**
Interest rate swaps	–	**779**	–	**779**
Warrants	–	**8,208**	–	**8,208**
Total	–	**18,209**	–	**18,209**
At 31 March 2012				
Commodity price swaps	–	16,161	–	16,161
Interest rate swaps	–	532	–	532
Warrants	–	2,806	–	2,806
Total	–	19,499	–	19,499

Derivative financial instruments

The Group enters into certain swap contracts in order to manage its exposure to commodity price risk and foreign exchange risk associated with sales of oil in US dollars and interest rate risk associated with debt service costs.

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	$90–$105.65/bbl	$97.97/bbl	**2,060**
Pound sterling commodity price swaps	2013–2017	1,610 Mbbls oil	£56.70–£63.60/bbl	£60.74/bbl	**7,162**
Interest rate swaps	2012–2016	$51.9m declining to $22.8m	0.91%–1.36%	1.20%	**779**

The Group's commodity price swaps matured over the period from 1 April 2013 to 31 December 2017 on contracted volumes that decline in line with the Group's 2P production profile. During the year to 31 March 2013 oil hedges for 573 thousand barrels (2012: 146 thousand barrels) matured generating a net cost of £5.9 million (2012: £2.3 million).

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 (see note 28). As no derivative instrument has been designated for hedge accounting, all gains and losses are recognised immediately in the income statement within finance costs.

Derivative financial instrument liabilities were classified as current liabilities at 31 March 2013 as the Group had intended to settle the derivatives upon completion of the bonds. Further details can be found in note 28.

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, 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 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 prices, such as commodity price risk, interest rate risk and foreign currency risk.

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.

Consolidated Financial Statements – Notes continued

23 Financial instruments and risk management continued

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 2013 and 31 March 2012; 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%, with all other variables held constant.

	Increase/(decrease) in profit before tax for the period ended and to equity as at	
	31 March 2013 £000	31 March 2012 £000
10% increase in the price of oil	**(15,681)**	(12,300)
10% decrease in the price of oil	**15,681**	12,300

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's policy is to manage its interest cost using derivative financial instruments (interest rate swaps). The Group's policy is to keep approximately half 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 interest rate swaps. 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 the assumption that US-dollar LIBOR moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in profit before tax for the period ended and to equity as at	
	31 March 2013 £000	31 March 2012 £000
50 basis point increase in LIBOR	**362**	800
50 basis point decrease in LIBOR	**(362)**	(800)

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the UK pounds 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 price swaps) which fix the price of oil in pounds sterling. The commodity price swaps denominated in sterling account for 55% of the total production covered by commodity price swaps (the remainder are denominated in US dollars), fixing the exchange rate.

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 period ended and to equity as at	
	31 March 2013 £000	31 March 2012 £000
10% strengthening of the pound against the US dollar	**8,694**	14,666
10% weakening of the pound against the US dollar	**(8,694)**	(14,666)

23 Financial instruments and risk management continued

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.

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 2013, the Group had 2 customers (2012: 2) that owed the Group more than £2.5 million each and accounted for approximately 90% (2012: 95%) 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.

Refer to Note 15 for analysis of trade receivables ageing.

Liquidity risk

The Group 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 Group's financial liabilities at 31 March based on contractual undiscounted payments (see note 28 for an updated profile for the borrowings):

	On demand £000	< 1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
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
	–	115,164	5,143	5,143	87,435	212,885
At 31 March 2012						
Borrowings (floating rate)	–	16,475	15,584	15,021	34,313	81,393
Trade and other payables	–	3,509	–	–	–	3,509
Warrants	–	2,806	–	–	–	2,806
Derivative financial instruments						
Commodity price swaps	–	8,694	5,290	2,488	1,424	17,896
Interest rate swaps	–	434	261	69	(241)	523
	–	31,918	21,135	17,578	35,496	106,127

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 (2012: 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 senior debt facility.

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.

Consolidated Financial Statements – Notes continued

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	
	No.	£000 Nominal value	No.	£000 Nominal value
Issued and fully paid				
1 January 2011, Ordinary Shares of 50p each	**93,109,431**	**46,555**	–	–
09 March 2011 shares issued at a price of 73.5p each	39,714,290	19,857	–	–
10 March 2011 shares issued at a price of 75p each	27,500,000	13,750	–	–
14 December 2011 shares issued at a price of 50.5p each	1,881,188	940	–	–
31 March 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
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	**–**	**–**	162,204,909	64,882

* 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. For further information see note 26.

Accordingly, the Group share capital account comprised:

	£000
Share capital account	
At 1 January 2011	**19,665**
Shares issued during the period	**34,548**
At 31 March 2012	**54,213**
Shares issued during the year	**2,433**
At 31 March 2013	**56,646**

25 Share premium account

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 24,330,730 10p ordinary shares at a price of 95p each (2012: 69,095,478 shares issued). The cost of these issues was £0.9 million (2012: £0.7 million). Together these events resulted in a net movement in the Share Premium reserve of £19.7 million (2012: £15.5 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 January 2011	63	(1,299)	–	(1,236)
Employee share plans – cost under IFRS 2	49	–	–	49
Capital contribution	–	–	47	47
Balance 31 March 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)**

26 Other reserves continued

Employee share plans – Equity settled

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

	2010 LTIP		2011 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 January 2011	1,125,000	–	–	–	1,322,204	70
Granted during the period	–	–	2,107,485	–	–	–
Forfeited during the period	(1,075,000)	–	–	–	(910,930)	70
Exercised during the period	–	–	–	–	–	–
Outstanding at 31 March 2012	50,000	–	2,107,485	–	411,274	70
Exercisable at 31 March 2012	–	–	–	–	–	–
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	–	–	–	–	–	–

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 2013.

The total charge for the year was £2 thousand. Of this amount, £nil thousand was capitalised and £2 thousand 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.

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 2013 had both a weighted average remaining contractual life and maximum term remaining of 8.5 years.

The total charge for the year was £218 thousand. Of this amount, £26 thousand was capitalised and £192 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.

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 can 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 unvested options outstanding at 31 March 2013.

Consolidated Financial Statements – Notes continued

26 Other reserves continued

The total charge for the year was £2 thousand. Of this amount, £nil thousand was capitalised and £2 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:

	2010 LTIP	2011 LTIP	Share Option Plan
Weighted average share price	64.5p	50.5p	64.5p
Weighted average exercise price	Nil	Nil	70p
Expected volatility	35%	35%	35%
Expected life	6.5 years	6.5 years	5–6.5 years
Risk-free rate	1.09%	0.701%	1.09%
Expected dividends	0%	0%	0%
Weighted average fair value of awards granted in 2012	n/a	n/a	n/a
Weighted average fair value of awards granted in 2011	n/a	23.12p	n/a

Other share based payments

During the year, certain employees agreed to settle bonuses earned in the period ended 31 March 2012 in share options. The number of share options issued was 216,850 with a fair value of £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 2013 had both a weighted average remaining contractual life and a maximum term of 8.75 years.

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 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 2013 no shares were issued to the Employee Benefit Trust (2012: nil).

As detailed in Note 24, the Company repurchased all 162,204,909 Deferred Shares for an aggregate consideration of one penny. Following this repurchase, these Deferred Shares are held as treasury shares.

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 2013.

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 is related by virtue of having as at 31 March 2013 a 21.29% share in the Group as a result of the Company's acquisition of IGas Exploration UK Limited. Pursuant to the terms of the Secondment Agreement dated 10 March 2011 entered into by the Company, Nexen Petroleum UK Limited provided various services in relation to the Group's operations. For the year ended 31 March 2013, the services provided during the year to the Group amounted to £146 thousand of which nil thousand remained outstanding (2012: £264 thousand of which £nil thousand remained outstanding).

Larchford is related by virtue of the Group's 33% interest in the Company. There were no transactions with Larchford during the period. A loan of £252 thousand between Latchford and Star Energy Limited was deemed unrecoverable as Lachford went into liquidation on 6 March 2012. This amount has been fully provided for the period to 31 March 2013.

F Gugen subscribed to US$5 million bonds issued by the Company. These bonds will earn interest at 10% per annum. As at 31 March 2013 accrued interest amounted to US$13.9 thousand.

27 Related party transactions continued

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 2013 £000	15 Months ended 31 March 2012 £000
Short-term employee benefits	**1,946**	1,425
Share plan	**162**	199
	2,108	1,624

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

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 transactions with the Directors of the Group are disclosed in Note 5.

There are no other related party transactions.

28 Subsequent events

Refinancing

On 14 March 2013, the Group announced its intention to issue 165 million US$1 bonds (the "Bond"). Part of the proceeds from the Bond were intended to repay the Macquarie Bank Ltd loan facilities and the settlement of hedges also taken out with Macquarie Bank Ltd. On 21 March 2013, a Bond Agreement was signed between the Company and Norsk Tillitsmann ("Bond Trustee"). As at 31 March 2013, US$156.2 million Bonds had been sold.

On the 10 April 2013, the Company successfully completed all conditions precedent to the satisfaction of the Bond Trustee, whereby the funds raised by the Bonds were released to the Company. By 30 April 2013, all the Bonds had been sold, raising a total of US$165.0 million before expenses.

Part of the net proceeds of the Bond were used to repay the outstanding loans with Macquarie Bank Ltd, plus outstanding interest and all associated break fees, termination fees and costs of closing out hedges. The remainder is being used for general corporate purposes of the Group. The total amount used to repay the debt, hedges and early settlement fees was US$156.0 million, detailed as follows:

	US$000
Principal	136,225
Interest to 10 April 2013	462
Total loan repayment	136,687
Oil hedge settlement (including payment in relation to amount accrued in March 2013)	15,061
Interest rate swaps settlement (including payment in relation to amount accrued in March 2013)	1,182
Total derivatives settlement	16,243
Fees and expenses	3,097
Total repaid	156,027

The bonds carry 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 bonds are secured by a pledge over shares of certain of the Group's subsidiary companies.

The Bond Agreement contains certain representations, warranties and covenants customary for a facility 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.

Consolidated Financial Statements – Notes continued

28 Subsequent events continued
As per the Group's accounting policy, the bonds were measured initially at fair value. After initial recognition, the Bond will subsequently be measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses will be recognised in the income statement (as part of finance costs) when the liabilities are derecognised as well as through the EIR amortisation process.

The 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 net proceeds received from the issue of the Bonds will be reflected in the balance sheet net of issue costs, representing the fair value of the liability to the Company, as follows:

	US$000	£000
Nominal value of bonds issued	165,000	108,660
Issue costs	(4,457)	(2,935)
Liability net of issue costs	160,543	105,725
Interest and amortisation of issue costs	1,927	1,269
Liability at 30 April 2013	162,470	106,994

The interest charged for the year is calculated by applying an effective interest rate of 10.80% to the net liability. The liability is measured at amortised cost. The difference between the carrying amount of the liability component at inception and the amount reported in the balance sheet at 30 April 2013 represents the effective interest rate less interest paid to that date.

Part of the Bond proceeds were used to settle the Macquarie debt. Details of the balance with Macquarie at repayment are as follows:

	£000
Macquarie debt at amortised cost (Note 18)	(89,710)
Accrued interest to 10 April 2013	(305)
Repayment of borrowings and accrued interest	90,015
Macquarie loan balance	–

28 Subsequent events continued

Had the full Bond issue of US$165.0 million completed at 31 March 2013, the impact on the consolidated balance sheet would have been as follows:

Pro forma Consolidated Balance Sheet
As at 31 March 2013

	Notes	Audited 31 March 2013 £000	Adjustments[A] £000	Adjustments[B] £000	Pro forma 31 March 2013 £000
Non-current assets		231,385	–	–	231,385
Current assets					
Other current assets	1	9,625	–	–	9,625
Cash and cash equivalents		9,831	–	6,240	16,071
Other financial assets – restricted cash		102,865	5,795	(108,660)	–
Current assets		122,321	5,795	(102,420)	25,696
Current liabilities					
Other current liabilities	2	(25,270)	(145)	2,709	(22,706)
Borrowings – Macquarie		(89,710)	–	89,710	–
Borrowings – Bond		(5,466)	(290)	–	(5,756)
Derivative financial instruments		(10,001)	–	10,001	–
		(130,447)	(435)	102,420	(28,462)
Net current liabilities		(8,126)	5,360	–	(2,766)
Total assets less current liabilities		223,259	5,360	–	228,619
Non-current liabilities					
Borrowings – Bond		(94,942)	(5,360)	–	(100,302)
Other non-current liabilities	3	(69,199)	–	–	(69,199)
		(164,141)	(5,360)	–	(169,501)
Net assets		59,118	–	–	59,118
Shareholders' funds		59,118	–	–	59,118

Notes:
1. Other current assets include inventories and trade and other receivables.
2. Other current liabilities includes trade and other payables, current tax liabilities and other liabilities.
3. Other non-current liabilities include deferred tax liabilities and provisions

Adjustments:
A Includes funds received for remaining US$8.8 million bonds net of associated fees which were sold in April 2013.
B Repayment of Macquarie loan, hedges and early cancellation fees, upon completion of conditions precedent. Excludes interest paid to 10 April 2013.

Bonds

C McDowell subscribed to US$0.3 million bonds issued by the Company. These bonds will earn interest at 10% per annum.

Hedging

On 16 April 2013, the Group entered into new hedging arrangements by acquiring puts for c.450,000 barrels at US$90.0/barrel and c.450,000 barrels at £58.8/barrel over the period at 31 March 2014.

Issued Shares

In January 2013, the Company adopted the Share Investment Plan for all employees of the Group. The scheme was approved by HM Revenue & Customs on 5 February 2013. On 22 April 2013, the Company issued 475,002 Ordinary 10p shares in relation to the Groups SIP scheme. Further details regarding this scheme can be found in the Remuneration Report.

On 26 June 2013, Macquarie exercised warrants over 3,000,000 ordinary 10p shares. The warrants were exercised at 55.8p per share.

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 2013 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 17. 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' Responsibilities Statement, 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. 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 2013;
- 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 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 2013.

Daniel Trotman
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
10 July 2013

Parent Company Statement of Comprehensive Income

For the year ended 31 March 2013

	Year ended 31 March 2013 £000	15 months 31 March 2012 £000
Loss for the year	**(26,117)**	(8,506)
Other comprehensive income for the year	–	–
Total comprehensive loss for the year	**(26,117)**	(8,506)

Parent Company Balance Sheet

As at 31 March 2013

	Notes	31 March 2013 £000	31 March 2012 £000
Non-current assets			
Investments in subsidiaries	2	**217,912**	190,154
Property, plant and equipment	3	**57**	72
		217,969	190,226
Current assets			
Trade and other receivables	4	**55,745**	22,795
Cash and cash equivalents	5	**3,596**	3,452
Other financial assets – Restricted cash	5	**102,865**	–
		162,206	26,247
Current liabilities			
Trade and other payables	6	**(75,694)**	(29,205)
Borrowings – Macquarie		**(89,710)**	(16,475)
Borrowings – Bond	8	**(5,466)**	–
Other liabilities	9	**(8,208)**	(2,806)
Derivative financial instruments	11	**(779)**	(413)
		(179,857)	(48,899)
Net current liabilities		**(17,651)**	(22,652)
Total assets less current liabilities		**200,318**	167,574
Non-current liabilities			
Borrowings – Macquaire	8	**–**	(58,477)
Borrowings – Bond	8	**(94,942)**	–
Derivative financial instruments	11	**–**	(119)
		(94,942)	(58,596)
Net assets		**105,376**	108,978
Capital and reserves			
Called up share capital	12	**83,535**	81,102
Share premium account	13	**41,639**	21,928
Merger Reserve	14	**22,222**	22,222
Other reserves	15	**(797)**	(1,140)
Accumulated deficit		**(41,223)**	(15,134)
Shareholders' funds		**105,376**	108,978

These financial statements were approved and authorised for issue by the Board on 10 July 2013 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 2013

	Called up share capital (Note 12) £000	Merger reserve (Note 14) £000	Share premium account (Note 13) £000	Other reserves (Note 15) £000	Accumulated deficit £000	Total £000
Balance at 1 January 2011	**46,555**	**22,222**	**6,392**	**(1,236)**	**(6,802)**	**67,131**
Changes in equity for 15 months ended 31 March 2012						
Total comprehensive loss for the period	–	–	–	–	(8,506)	(8,506)
Lapse of warrants	–	–	–	47	–	47
Employee share plans cost under IFRS (note 15)	–	–	–	49	174	223
Issue of Shares	34,547	–	15,536	–	–	50,083
Balance at 31 March 2012	**81,102**	**22,222**	**21,928**	**(1,140)**	**(15,134)**	**108,978**
Changes in equity for the year ended 31 March 2013						
Total comprehensive loss for the year	–	–	–	–	(26,117)	(26,117)
Employee share plans cost under IFRS2 (note 15)	–	–	–	343	28	371
Issue of shares	2,433	–	19,711	–	–	22,144
Balance at 31 March 2013	**83,535**	**22,222**	**41,639**	**(797)**	**(41,223)**	**105,376**

Parent Company Cash Flow Statement

For the year ended 31 March 2013

	Notes	Year ended 31 March 2013 £000	15 months ended 31 March 2012 £000
Operating activities:			
(Loss) for the year/period		**(26,117)**	(8,506)
Depreciation, depletion and amortisation		**25**	24
Share based payment charge		**54**	1,103
Finance income		**(5,678)**	(1,897)
Finance costs		**28,028**	3,796
Decrease/(increase) in trade and other receivables		**122**	(248)
(Decrease)/increase in trade and other payables		**(1,009)**	841
Revaluation effects as a result of foreign exchange movements		**–**	101
Net cash used in operating activities		**(4,575)**	(4,786)
Investing activities			
Acquisition of property, plant and equipment		**(10)**	(63)
Acquisition of subsidiaries		**–**	(110,338)
Loans granted to subsidiaries		**(13,951)**	(17,246)
Interest received		**20**	246
Net cash used investing activities		**(13,941)**	(127,401)
Financing activities			
Cash proceeds from issue of Ordinary Share Capital net of issue costs	12	**23,144**	20,625
Share issue costs	12	**(970)**	(681)
Capital contribution	12	**–**	47
Interest paid		**(6,692)**	(2,095)
Cash proceeds from loans and borrowings		**21,410**	84,569
Loan issue costs		**(1,887)**	(3,141)
Repayment of loans and borrowings		**(16,735)**	(3,100)
Loans from subsidiary		**–**	27,834
Net cash from financing activities		**18,240**	124,058
Net (decrease) in cash and cash equivalents in the year/period		**(275)**	(8,129)
Net foreign exchange difference		**419**	(191)
Cash and cash equivalents at the beginning of the year/period		**3,452**	11,772
Cash and cash equivalents at the end of the year/period	5	**3,596**	3,452

Parent Company Financial Statements – Notes

As at 31 March 2013

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 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 2013 and with the Companies Act 2006. The accounting period is not comparable with the 15 month prior period as this period was extended to align to the year end of the then newly acquired entity Star Energy Group limited. The financial statements were approved and authorised for issue by the Board of Directors on 10 July 2013. IGas Energy plc is a public limited Company incorporated and registered in England and Wales and 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 period, the parent adopted the following new and amended IFRS which were applicable to the Company's activities as of 1 April 2012.

IAS 12	Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets – The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on Investment property measured using the fair value model in IAS 40 should be determined on the basis that it's a carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation Model in IAS 16 should always be measured on a sale basis. The Company has considered the effect of this amendment and has concluded that there is no impact on the financial statements.	1 January 2012

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 2012 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*
IAS 1	Amendment to IAS 1 – Financial Statement Presentation – This amendment changes the grouping of items presented in the 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 will have no impact on the Company's financial position or performance.	1 July 2012
IFRS 9	IFRS 9 – Financial Instruments: Classification and Measurement – IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.	1 January 2015
IFRS 11	IFRS11 – Joint Arrangements – IFRS11 establishes principle of the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS31. It removes the option to jointly controlled entities (JCE) using proportionate consolidation.	1 January 2013
IFRS 12	IFRS12 – Disclosures of involvement with other entities- IFRS12 combines, enhances and 1 January 2013 replaces the disclosure requirement for subsidiaries, joint arrangements, associates and in consolidated structured entities.	1 January 2013
IFRS 7/IAS 32	IFRS 7/IAS 32 – The amendments to IAS 32 and 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 clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014. The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013. The Company is currently assessing the impact that these amendments will have on its financial position.	1 January 2014

1 Accounting policies continued

IFRS 10	IFRS10 – 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 will require 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.	1 January 2013
IFRS 13	IFRS 13 – Fair Value Measurement – IFRS13 defines fair value, set 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.	1 January 2013
IAS 28	IAS28 – Investments in Associates and Joint Venture – IAS28 has been renamed as a consequence of the new IFRS 11 and IFRS 12 and describes the application of the equity method to investments in joint venture in addition to associates.	1 January 2013
IAS 27 Revised	IAS 27 Revised – Consolidated and Separate Financial Statements. The objective of the Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013

The Directors do 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's principal activity and principal risks and uncertainties are set out in the Directors' report. The ability of the Company to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its Bond, which in turn is dependent on the Company not breaching covenants. Under the Bond, the Company drew down from escrow US$165m of funds in April 2013. The Company regularly monitors forecasts to determine that breaches 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. The Company is protected to a material degree against volatility in the oil price, by having a significant proportion of its production hedged at US$90 and £58 per barrel until 31 March 2014. Despite this, there can be no certainty that these forecasts will be achieved, in which case the financial covenants could be breached. Should any breach be anticipated to arise, the Company would manage its working capital profile, reduce discretionary expenditure, where necessary and, if applicable, take additional mitigating actions that have already been identified as a precautionary measure. The Directors consider that the expected operating cash flows of the Company combined with the current Bonds give them confidence that the Company has adequate resources to continue as a going concern. The financial statements have, therefore, been prepared on the going concern basis.

(c) Significant accounting judgements and estimates

The principal activity of the Company's major subsidiary, Island Gas Limited, which has been accounted for at fair value of consideration paid at acquisition less provision for impairment, is the production of oil and gas.

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 within the next financial year 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; review of 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. This can have a significant impact on the results of the Company based on the foreign currency translation methods used.

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 asset 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 relies on fair value less cost to sell assessed either by reference to comparable market transactions between a willing buyer and a willing seller or on the same basis as used by willing buyers and sellers in the oil and gas industry. When assessing value in use, 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 asset 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
Other 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.

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 cashfows are revised, borrowings are remeasured using the revised cash flow estimates under the original effective interest.

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.

1 Accounting policies continued

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.

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 profit or loss 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 for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. Taxable (loss)/profit differs from the (loss)/profit 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. 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 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.

(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 immediately before and 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.

Parent Company Financial Statements – Notes continued

1 Accounting policies continued
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:

	2013			2012		
Parent Company	**Investment in Group Companies £000**	**Loans to Group companies £000**	**Total £000**	Investment in Group Companies £000	Loans to Group companies £000	Total £000
At beginning of year/period	**90,154**	**100,000**	**190,154**	50,555	–	50,555
Additions	**318**	**27,440**	**27,758**	39,599	100,000	139,599
At end of year/period	**90,472**	**127,440**	**217,912**	90,154	100,000	190,154

The subsidiary undertakings of the Company at 31 March 2013 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	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 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 (East Midlands) Limited	Dormant
Star Energy Oil and Gas Limited	Dormant
Star Energy Oil UK Limited	Dormant

3 Property, plant and equipment

	Buildings	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2011	–	21	20	41
Additions	–	66	–	66
Disposals	–	(2)	–	(2)
At 31 March 2012	–	85	20	105
Additions	3	7	–	10
At 31 March 2013	**3**	**92**	**20**	**115**
Amortisation and impairment				
At 1 January 2011	–	4	5	9
Charge for the year, including impairment	–	18	6	24
At 31 March 2012		22	11	33
Charge for the period	–	20	5	25
At 31 March 2013		**42**	**16**	**58**
Net book amount				
At 31 March 2012	–	63	9	72
At 31 March 2013	**3**	**50**	**4**	**57**

4 Trade and other receivables

	31 March 2013 £000	31 March 2012 £000
Amounts falling due within one year:		
VAT recoverable	**63**	233
Other debtors	**35**	2
Amounts due from subsidiary undertakings	**55,436**	22,359
Prepayments	**211**	201
	55,745	22,795

The carrying value of each of the Company's financial assets as stated above being other debtors 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 2013 £000	31 March 2012 £000
Cash at bank and in hand	**3,596**	3,452
	3,596	3,452

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.

Parent Company Financial Statements – Notes continued

5 Cash and cash equivalents continued

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 2013 £000	31 March 2012 £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 issued.

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. The remainder is being used for general corporate purposes of the Company. See note 17 for further details of the refinancing.

6 Current liabilities

	31 March 2013 £000	31 March 2012 £000
Trade and other payables:		
Trade creditors	**71**	719
Taxation and social security	**96**	75
Amounts due to subsidiary undertakings	**69,161**	27,834
Accruals and other creditors	**6,366**	577
	75,694	29,205

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 creditors are payable within one month and no creditor has been outstanding for longer than three months (2012: all within one month).

7 Taxation

Tax losses, none of which is considered sufficiently certain of utilisation to set up deferred tax assets, amount to:

	Year ended 31 March 2013 £000	15 Months ended 31 March 2012 £000
Excess management expenses	**26,376**	14,288
Related to share based payment transactions	**301**	97

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 2013			31 March 2012		
	Within 1 year £000	Greater than 1 year £000	Total £000	Within 1 year £000	Greater than 1 year £000	Total £000
Facility A**	**38,673**	–	**38,673**	16,475	32,818	49,293
Facility B**	**29,634**	–	**29,634**	–	25,659	25,659
Facility C**	**21,403**	–	**21,403**	–	–	–
Sub total	**89,710**	–	**89,710**	16,475	58,477	74,952
Issued Bonds*	**5,466**	**94,942**	**100,408**	–	–	–
Sub total	**5,466**	**94,942**	**100,408**	–	–	–
Total	**95,176**	**94,942**	**190,118**	16,475	58,477	74,952

* Transaction costs of raising debt of £2.8 million (**2012: £7.6 million) have been netted off against the liability

8 Borrowings continued

Macquarie financing

On 21 November 2011 the Company and Macquarie entered into a senior secured facility agreement (the "Credit Agreement") which were repaid on 10 April 2013. On 11 February 2013 the Company signed an expansion of the existing loan facility with Macquarie to increase the amount available to draw down from facility C, which was repaid on 10 April 2013.

The Credit Agreement consists of three separate facilities:
(i) Facility A: US$ 90,000,000 5 year senior secured term loan, carrying interest at 5.5% over LIBOR and a 2% commitment fee;
(ii) Facility B: US$ 45,000,000 5 year senior secured term loan, carrying interest at 12% above LIBOR and a commitment fee of 3.5%; and
(iii) Facility C: US$ 90,000,000 3 year senior secured term loan of which US$32.5 million was drawn down, carrying interest at 12% above LIBOR and a commitment fee of US$2 million on initial drawdown, with a 2% fee thereafter;

The Credit Agreement contains certain representations, warranties and covenants customary for a credit facility 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 Credit Agreement also contains customary events of default, the occurrence of which allow Macquarie (and any other lender that accedes to the Credit Agreement) to accelerate outstanding loans and terminate the commitments. The facilities are required to be repaid in full on the date that is 60 months following the completion of the Acquisition of Star Energy Group Limited, or on a change of control or the sale of the assets of the Group.

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 at 31 March to take into account the change in the estimated future cashflows. The re-estimation resulted in a difference of £5.6 million which is recognised in the income statement for the year.

On 10 April 2013, the loan with Macquarie (Facility A, B and C) was repaid in full. This was funded by the cash raised from the issuance of the Bonds. The table below summarises the Macquarie loan balance upon repayment.

	£000
Macquarie debt at amortised cost (per above)	(89,710)
Accrued interest to 10 April 2013	(305)
Repayment of borrowings and accrued interest	90,015
	–

Bond Issuance

On 21 March 2013, the Company and Norsk Tillitsmann ("Bond Trustee") entered into a Bond Agreement for the Company to issue up to 165 million US$1 Bond (the "Bond"). 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.

Further details regarding the Company's refinancing can be found in note 17.

9 Other liabilities

	£000
At 1 January 2011	–
Warrants issued during period	4,457
Revaluation	(1,651)
As at 31 March 2012	2,806
Warrants issued during year	–
Revaluation	5,402
As at 31 March 2013	**8,208**

Parent Company Financial Statements – Notes continued

9 Other liabilities continued
Warrants issued to Macquarie Bank under the Facilities Agreement 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 IAS39 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 0.62% and an implied volatility of 37.04% at 31 March 2013. It was also assumed that no dividends would be paid during the life of the warrants.

Movement during the period was as follows:

	No	Weighted average exercise price (pence)
At 1 January 2011	–	–
Granted in period	21,286,646	55.8
Lapsed in period	–	–
Outstanding at 31 March 2012	21,686,646	55.8
Exercisable at 31 March 2012	21,686,646	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**

The weighted average remaining contractual life for the warrants outstanding as at 31 March 2013 is 4.75 years.

10 Commitments
At the balance sheet date the Company had outstanding commitments for future minimum lease payments under non cancellable operating leases, all falling due in under one year of £496 thousand (2012: £45 thousand).

11 Financial instruments and risk management
In accordance with IFRS 7, the Company has detailed the financial instruments and risk management as at the balance sheet date.

Fair values
Set out below is a comparison by class of the carrying amounts and fair value of the financial instruments that are carried in the Company's balance sheet.

	Carrying amount		Fair value	
	31 March 2013 £000	31 March 2012 £000	**31 March 2013 £000**	31 March 2012 £000
Financial assets				
Loans and receivables				
Cash and cash equivalents[1]	**3,596**	3,452	**3,596**	3,452
Other financial assets – restricted cash[1]	**102,865**	–	**102,865**	–
Trade and other receivables[1]	**–**	–	**–**	–
Loans to subsidiaries	**102,578**	100,000	**102,578**	100,000
Amortised cost				
Loans to subsidiaries	**24,862**	–	**24,862**	–
Financial liabilities				
Amortised cost				
Borrowings (floating rate)[2]	**89,710**	74,952	**89,710**	82,296
Borrowings (fixed rate)[2]	**100,408**	–	**103,150**	–
Trade and other payables[1]	**71**	719	**71**	719
Fair value through profit and loss				
Interest rate swaps[3]	**779**	532	**779**	532
Warrants[4]	**8,208**	2,806	**8,208**	2,806

1 The carrying values of cash and cash equivalents, other financial assets, short-term receivables and payables are assumed to approximate their fair values where discounting is not material.
2 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.
3 The fair value of warrants is estimated using a Black-Scholes valuation model.

11 Financial instruments and risk management continued

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- 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.

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 2013				
Interest rate swaps	–	779	–	779
Warrants	–	8,208	–	8,208
Total	**–**	**8,987**	**–**	**8,987**
At 31 December 2012				
Interest rate swaps	–	532	–	532
Warrants	–	2,806	–	2,806
Total	**–**	**3,338**	**–**	**3,338**

Derivative financial instruments

The Company enters into certain swap contracts in order to manage its exposure to foreign exchange risk associated with interest rate risk associated with debt service costs.

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
Interest rate swaps	2013–2016	US$51.9m declining to US$22.8m	0.91%–1.36%	1.20%	779

The Company'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 refinancing in April 2013 (see note 17).

The interest rate swap liability was classified as a current liability at 31 March 2013 as the Company had intended to settle it upon completion of the bonds. Further details can be found in note 28.

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 prices, such as interest rate risk and foreign currency risk.

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 Company financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

Parent Company Financial Statements – Notes continued

11 Financial instruments and risk management continued

The following assumptions have been made in calculating the sensitivity analysis:

- The balance sheet position sensitivity relates to derivatives and accounts receivables;
- 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 2013 and 31 March 2012; and
- The impact on equity is the same as the impact on profit before tax.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates. The Company's policy is to manage its interest cost using derivative financial instruments (interest rate swaps). The Company's policy is to keep between half 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 interest rate swaps. 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 the assumption that US-dollar LIBOR moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in profit before tax for the period ending and to equity as at	
	31 March 2013 £000	31 March 2012 £000
50 basis point increase in LIBOR	**362**	800
50 basis point decrease in LIBOR	**(362)**	(800)

Foreign currency risk

The Company has transactional currency exposures. Such exposure arises from purchases in currencies other than UK pounds sterling, the functional currency of the Company. 10% of the Company's costs are denominated in currencies other than the Company's functional currency, primarily US dollars.

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 period ending and to equity as at	
	31 March 2013 £000	31 March 2012 £000
10% strengthening of the pound against the US dollar	8,719	7,835
10% weakening of the pound against the US dollar	(8,719)	(7,835)

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 of at least A or equivalent other than if the UK government is a majority shareholder.

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.

11 Financial instruments and risk management continued

The table below summarises the maturity profile of the Company's financial liabilities at 31 March based on contractual undiscounted payments (see note 17 for an updated profile for the borrowings):

	On demand £000	<1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
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 rate swaps	**–**	**779**	**–**	**–**	**–**	**779**
	–	**103,911**	**5,143**	**5,143**	**87,435**	**201,632**
At 31 March 2012						
Borrowings (floating rate)	–	16,475	15,584	15,021	34,313	81,393
Trade and other payables	–	719	–	–	–	719
Warrants	–	2,806	–	–	–	2,806
Derivative financial instruments interest rate swaps	–	434	261	69	(241)	523
	–	20,434	15,845	15,090	34,072	85,441

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 (2012: funding requirements through a combination of equity and debt) and adjustments are made in light of changes in economic conditions. The Company's capital structure changed in the period to 31 March 2012 as a result of the acquisitions it made. 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	
	No.	£000 Nominal value	No.	£000 Nominal value
Issued and fully paid				
1 January 2011, Ordinary Shares of 50p each	**93,109,431**	**46,555**	**–**	**–**
09 March 2011 shares issued at a price of 73.5p each	39,714,290	19,857	–	–
10 March 2011 shares issued at a price of 75p each	27,500,000	13,750	–	–
14 December 2011 shares issued at a price of 50.5p each	1,881,188	940	–	–
31 March 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
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	**–**	**–**	**162,204,909**	**64,882**

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. For further information see note 15.

13 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 24,330,730 10p Ordinary shares at a price of 95p each (2012: 69,095,478 shares issued) The cost of the issue was £0.9 million (2012: nil). Together these events resulted in a net movement in the Share premium reserve of £19.7 million (2012: £15.5 million).

Parent Company Financial Statements – Notes continued

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 January 2011	63	(1,299)	–	(1,236)
Transfer to retained earnings/(accumulated deficit) account re warrants	–	–	–	–
Employee share plans – cost under IFRS 2	49	–	–	49
Capital contribution	–	–	47	47
Balance 31 March 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 – Equity settled

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

	2010 LTIP		2011 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 January 2011	1,125,000	nil	–	–	1,322,204	
Granted during the Period			2,107,485	–	–	–
Forfeited during the Period	(1,075,000)	nil	–	–	(910,930)	70
Exercised during the Period	–	–	–	–	–	–
Outstanding at 31 March 2012	50,000	nil	2,107,485	–	411,274	70
Exercisable at 31 March 2012	–	–	–	–	–	–
Granted during the Period	–	–	1,071,542	–	–	–
Forfeited during the Period	(50,000)	–	–	–	(237,773)	(70)
Lapsed during the Period	–	–	–	–	(173,501)	(70)
Exercised during the Period	–	–	–	–	–	–
Outstanding at 31 March 2013	–	–	3,179,027	–	–	–
Exercisable at 31 March 2013	–	–	–	–	–	–

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 2013.

The total charge for the year was £2 thousand. Of this amount, £2 thousand was charged to the subsidiary and £nil thousand 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.

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.

15 Other reserves continued
There were no LTIPs exercised during the year. There were no LTIPs outstanding at 31 March 2013 had both a weighted average remaining contractual life and maximum term remaining of 8.5 years.

The total charge for the year was £218 thousand. Of this amount, £161 thousand was charged to the subsidiary and £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.

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 can 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 no Options outstanding at 31 March 2013.

The total charge for the year was £2 thousand, of this amount, £2 thousand was charged to the subsidiary and £nil 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:

	2010 LTIP	2011 LTIP	Share Option Plan
Weighted average share price	64.5p	50.5p	64.5p
Weighted average exercise price	Nil	Nil	70p
Expected volatility	35%	35%	35%
Expected life	6.5 years	6.5 years	5–6.5 years
Risk-free rate	1.09%	0.701%	1.09%
Expected dividends	0%	0%	0%
Weighted average fair value of awards granted in 2011	n/a	23.12p	n/a
Weighted average fair value of awards granted in 2010	6p	n/a	12p

Other share based payments
During the year, certain employees agreed to settle bonuses earned in the period ended 31 March 2012 in share options. The number of share options issued was 216,850 with a fair value of £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 2013 had both a weighted average remaining contractual life and a maximum term of 8.75 years.

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 not net effect on shareholders'' funds. During the Year ended to 31 March 2013 no shares were issued to the Employee Benefit Trust (2012: nil).

As detailed in Note 24, the Company repurchased all 162,204,909 Deferred Shares for an aggregate consideration of one penny. Following this repurchase, these Deferred Shares are held as treasury shares.

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

Parent Company Financial Statements – Notes continued

16 Related party transactions

(a) With Group companies

A summary of the transactions in the period is as follows:

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Subsidiaries:		
Amounts due from/(to) subsidiary:		
Island Gas Limited:		
Balance at beginning of year/period	**22,203**	5,013
Services performed for subsidiary	**2,543**	793
Net cash advances	**52,765**	16,397
Group loan interest	**2,659**	–
Balance at end of year/period	**80,170***	22,203
Island Gas Operations Limited:		
Balance at beginning of year/period	**156**	101
Net cash advances	**(64)**	55
Balance at end of year/period	**92**	156
Star Energy Limited:		
Balance at beginning of year/period	**(10,135)**	(10,135)
Net cash Advances	**(3,153)**	–
Services performed by subsidiary	**(300)**	–
Balance at end of year/period	**(13,588)**	(10,135)
Star Energy Group Limited:		
Balance at beginning of year/period	**82,301**	–
Net cash advances	**5,408**	82,301
Group loan interest	**2,578**	–
Balance at end of year/period	**90,287****	82,301
Star Energy Weald Basin Limited:		
Balance at beginning of year/period	**–**	–
Net cash advances	**(43,290)**	(17,699)
Services performed for subsidiary	**8**	–
Balance at end of year/period	**(43,282)**	(17,699)
Island Gas (Singleton) Limited:		
Balance at beginning of year/period	**–**	–
Net cash advances	**–**	–
Services performed for subsidiary	**35**	–
Balance at end of year/period	**35**	–

* Includes group loan of £22,203.
** Includes group loan net of creditor balance £12,291 (2012: £17,699).

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 subscribed to US$5 million bonds issued by the Company. These bonds will earn interest at 10% per annum. As at 31 March 2013 accrued interest amounted to US$13.9 thousand.

17 Subsequent events

Refinancing

On 14 March 2013, the Group announced its intention to issue 165 million US$1 bonds (the "Bond"). Part of the proceeds from the Bond were intended to repay the Macquarie Bank Ltd loan facilities and the settlement of hedges also taken out with Macquarie Bank Ltd. On 21 March 2013, a Bond Agreement was signed between the Company and Norsk Tillitsmann ("Bond Trustee"). As at 31 March 2013, US$156.2 million of the Bonds had been sold.

17 Subsequent events continued

On the 10 April 2013, the Company successfully completed all conditions precedent to the satisfaction of the Bond Trustee, whereby the funds raised by the Bonds were released to the Company. By 30 April 2013, all the Bonds had been sold, raising a total of US$165.0 million before expenses.

Part of the net proceeds of the Bond were used to repay the outstanding loans with Macquarie Bank Ltd, plus outstanding interest and all associated break fees, termination fees and costs of closing out hedges. The remainder is being used for general corporate purposes of the Group. The total amount used to repay the debt, hedges and early settlement fees was US$156.0 million, detailed as follows:

	US$000
Principal	136,225
Interest to 10 April 2013	462
Total loan repayment	136,687
Oil hedge settlement (including payment in relation to amount accrued in march 2013)	15,061
Interest rate swaps settlement(including payment in relation to amount accrued in march 2013)	1,182
Total derivatives settlement	16,243
Fees and expenses	3,097
Total repaid	156,027

The Bonds carry 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 Bonds are secured by a pledge over shares of certain of the Group's subsidiary companies.

The Bond Agreement contains certain representations, warranties and covenants customary for a facility 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.

As per the Company's accounting policy, the bonds were measured initially at fair value. After initial recognition, the Bonds will subsequently be measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses will be recognised in the income statement (as part of finance costs) when the liabilities are derecognised as well as through the EIR amortisation process.

The 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 net proceeds received from the issue of the Bond will be reflected in the balance sheet net of issue costs, representing the fair value of the liability to the Company, as follows:

	US$000	£000
Nominal value of Bonds issued	**165,000**	108,660
Issue costs	**(4,457)**	(2,935)
Liability net of issue costs	**160,543**	105,725
Interest and amortisation of issue costs	**1,927**	1,269
Liability at 30 April 2013	**162,470**	106,994

The interest charged for the year is calculated by applying an effective interest rate of 10.80% to the net liability. The liability is measured at amortised cost. The difference between the carrying amount of the liability at inception and the amount reported in the balance sheet at 30 April 2013 represents the effective interest rate less interest paid to that date.

Part of the Bond proceeds were used to settle the Macquarie debt. Details of the loan balance with Macquarie at repayment are as follows:

	£000
Fair value of the Macquarie debt (Note 8)	(89,710)
Accrued interest to 10 April 2013	(305)
Repayment of borrowings and accrued interest	90,015
Macquarie loan balance	–

Parent Company Financial Statements – Notes continued

17 Subsequent events continued
Had the full Bond issue of US$165.0 million completed at 31 March 2013, the impact on the balance sheet would have been as follows:

Pro forma Balance Sheet
As at 31 March 2013

	Notes	Audited 31 March 2013 £000	Adjustments[A] £000	Adjustments[B] £000	Pro forma 31 March 2013 £000
Non-current assets		217,969	–	–	217,969
Current assets					
Other current assets	1	55,745	–	9,222	64,967
Cash and cash equivalents		3,596	–	6,240	9,836
Other financial assets – restricted cash		102,865	5,795	(108,660)	–
Current assets		162,206	5,795	(93,198)	74,803
Current liabilities					
Other current liabilities	2	(83,902)	(145)	2,709	(81,338)
Borrowings – Macquarie		(89,710)	–	89,710	–
Borrowings – Bond		(5,466)	(290)	–	(5,756)
Derivative financial instruments		(779)		779	–
		(179,857)	(435)	93,198	(87,094)
Net current liabilities		(17,651)	5,360	–	(12,991)
Total assets less current liabilities		200,318	5,360	–	205,678
Non-current liabilities					
Borrowings – Bond		(94,942)	(5,360)	–	(100,302)
		(94,942)	(5,360)	–	(100,302)
Net assets		105,376	–	–	105,376
Shareholders' funds		105,376	–	–	105,376

Notes:
1 Other current assets includes: Trade and other receivables from related parties and inventory
2. Other current liabilities includes: Trade and other payables and other liabilities

Adjustments:
A Includes funds received for remaining 8.8 million bonds
B Repayment of Macquarie loan, hedges and early cancellation fees, upon completion of conditions precedent on. Excludes interest paid to 10 April 2013

Bonds
C McDowell subscribed to US$0.3 million bonds issued by the Company. These bonds will earn interest at 10% per annum.

Issued Shares
In January 2013, the Company adopted the Share Investment plan for all employees of the Group. The scheme was approved by HM Revenue & Customs on 5 February 2013. On 22 April, the Company issued 475,002 Ordinary 10p shares in relation to the Groups SIP scheme. Further details regarding this scheme can be found in the Group's Remuneration Report.

On 26 June, Macquarie exercised warrants over 3,000,000 ordinary 10p shares. The warrants were exercised at 55.8p per share.

Oil and Gas Reserves

As at 31 March 2013

The Group's estimates of proven and probable reserve quantities for assets held prior to the Singleton acquisition are taken from the Group's Competent Person's evaluation (Senergy) reports for the Group's oil fields as of 1 July 2012 together with adjusted for production data thereafter. The report for the acquired reserves was provided by Netherland, Sewell Associates and the existing Group report was provided by Senergy. The Group's estimates of proven and probable reserves acquired through the Singleton acquisition is based on reserves estimates commissioned by the former owner adjusted for production data thereafter. 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 2012	9.91	8.21	11.33
Acquired during the year*	5.37	–	5.37
Revisions of estimates after acquisition	0.56	(0.10)	0.56
Production	(0.87)	(0.16)	(0.90)
Total change during the year	5.06	(0.26)	5.03
At 31 March 2013	14.97	7.95	16.36

The Group's estimates of proven and 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").

* Excludes Baxters Copse, as CPR not commissioned by IGas

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 Resource	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

Proposed Business of the Annual General Meeting

Introduction
You will find set out at the end of this document the formal Notice of the Annual General Meeting of IGas Energy plc. This section provides some additional information on the Resolutions being proposed at the Annual General Meeting. The following definitions apply throughout this section of the document unless the context requires otherwise:

"2006 Act"	the Companies Act 2006
"Accounts"	the audited financial statements of the Company for the 12 month period ended 31 March 2013
"Annual General Meeting" or **"AGM"**	the annual general meeting of the Company convened for 8 August 2013 pursuant to the Notice of Annual General Meeting which appears at the end of this document
"Articles"	the articles of association of the Company in force at the date of this document
"Board" or **"Directors"**	the board of directors of the Company
"Company"	IGas Energy plc
"Form of Proxy"	the form of proxy accompanying this document for use at the Annual General Meeting
"New Articles"	the new Articles of Association proposed to be adopted at the AGM
"Ordinary Shares"	ordinary shares of 10p each in the capital of the Company
"Resolutions"	the resolutions set out in the Notice of Annual General Meeting which appears at the end of this document
"Shareholders"	holders of Ordinary Shares

Annual General Meeting
The Annual General Meeting of the Company will be held at the offices of Morrison & Foerster (UK) LLP, CityPoint, One Ropemaker Street, London EC2Y 9AW at 10:30 am on Thursday 8 August 2013, at which the following Resolutions will be proposed:

1. to receive and adopt the Company's Annual Report and Accounts for the 12 month period ended 31 March 2013, and the Directors' Report and the Independent Auditors' Report on those accounts;
2. to receive and approve the Remuneration Report of the Directors for the 12 month period ended 31 March 2013 and the Independent Auditors' Report on the auditable part of the Remuneration Report;
3. to reappoint as a Director John Bryant who, in accordance with the Articles, is required to retire by rotation at the Annual General Meeting and, being eligible, offers himself for reappointment;
4. to reappoint as a Director Andrew Austin who, in accordance with the Articles, is required to retire by rotation at the Annual General Meeting and, being eligible, offers himself for reappointment;
5. to reappoint as a Director Cuthbert McDowell who, in accordance with the Articles, having been appointed since the last annual general meeting is required to retire at the Annual General Meeting and, being eligible, offers himself for reappointment;
6. to reappoint Ernst & Young LLP as the auditors of the Company until the next annual general meeting;
7. to authorise the Directors to determine the level of the remuneration of the auditors;
8. to grant the Directors authority to allot shares in the capital of the Company;
9. conditional upon Resolution 8 being passed, to grant the Directors the power to disapply the statutory pre-emption rights for certain shares in the capital of the Company; and
10. to adopt the New Articles.

Resolutions 1 and 2 and 6 and 7 are self-explanatory. Information on the other Resolutions is provided below. Resolutions 1 to 8 are ordinary resolutions which require to be passed the approval of a simple majority of Shareholders present and voting in person or by proxy or authorised representative. On a show of hands each Shareholder so present has one vote, but should a poll be demanded, each such Shareholder has one vote for each share held by him or her. Resolutions 9 and 10 are special resolutions that require to be passed with the approval of 75% of such Shareholders, determined in the same way as for the ordinary resolutions.

Resolution 3 – reappointment of John Bryant as a Director
Mr Bryant is liable to retire by rotation at the Annual General Meeting under the Articles, and offers himself for re-election. Having considered his re-election, the Nomination Committee considers that his performance remains effective, particularly having regard to his responsibilities as Senior Independent Non-executive Director.

Mr Bryant is the Chairman of AIM listed Weatherly 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. Mr Bryant 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. Before joining Cinergy, Mr Bryant was executive director with Midlands Electricity plc. He has been involved in developing a number of large gas fired power stations both in the UK and overseas, together with both electricity and gas distribution in Europe and Africa, renewable power in Europe and North America and gas and electricity trading. His prior experience was at British Sugar plc, Drexel Limited, the British Oxygen Company and Unilever plc. Drexel, where he was president, was a global oil and gas equipment manufacturing and servicing company. Mr Bryant is a Fellow of the Institute of Directors and a Fellow of the Royal Society of Arts.

Resolution 4 – reappointment of Andrew Austin as a Director
Mr Austin is liable to retire by rotation at the Annual General Meeting under the Articles, and offers himself for re-election. Having considered his re-election, the Nomination Committee considers that his performance remains effective, particularly having regard to his responsibilities as Chief Executive Officer.

Mr Austin is a founder of the Company, has been an Executive Director since 2004 and the Chief Executive Officer for the last 5 years with full time responsibility for the day to day operations and business development. Prior to joining the Company, Mr Austin has been involved in a number of ventures as principal, specialising in energy projects in the gas, electricity and renewable sectors with a track record of raising substantial funding from both private and public equity. Mr Austin is responsible for the transformation of the Company from a non-operating partner to delivering material hydrocarbon production to Britain's energy market.

Resolution 5 – reappointment of Cuthbert McDowell as a Director
Mr McDowell was appointed as a Non-executive Director in December 2012, which was subsequent to the last annual general meeting and, in accordance with the Articles, he must retire at this Annual General Meeting, but he offers himself for reappointment. Upon appointment, the Board considered that his experience made him a suitable candidate to complement the board. The Nomination Committee has considered his reappointment and considers that his performance remains effective, particularly having regard to his responsibilities as a Non-executive Director.

Mr McDowell 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 8 years. Mr McDowell then joined Clyde Petroleum plc, initially as Senior Economist, subsequently becoming Group Commercial Manager before Clyde was bought by Gulf Canada. In 1997, Mr McDowell joined Paladin Resources plc, where he served primarily as Finance Director. Paladin Resources plc raised £120 million in 4 separate primary offerings before the company was sold to Talisman Energy Inc. for approximately £1.2 billion in 2006. Mr McDowell is currently a Non-Executive Director at Pitkin Petroleum, a privately owned international upstream oil and gas company.

Resolution 8 – authority to issue shares
At the Annual General Meeting held on 16 August 2012, the Directors were authorised, in accordance with section 551 of the 2006 Act, to allot Ordinary Shares, grant rights to subscribe or to convert any security into Ordinary Shares up to an aggregate nominal amount of £5,406,830. This authority expires at the conclusion of this Annual General Meeting.

It is therefore proposed to revoke the existing authority and replace it with a new authority, granted under section 551 of the 2006 Act, which will allow the Directors to allot Ordinary Shares and to grant rights to subscribe for or to convert any securities into Ordinary Shares up to an aggregate nominal amount of £6,333,688 representing approximately one third of the issued ordinary share capital of the Company and a further aggregate nominal amount of £6,333,688 representing approximately a further third of such issued share capital, which will be available only for rights issues and other pre-emptive issues of equity shares.

The proposal that the authority to allot Ordinary Shares shall extend to a further third of the issued share capital is in accordance with the guidelines issued by the Association of British Insurers ("**ABI**") which confine the use of this amount to rights issues only. The Directors have no present intention of exercising this authority. However, if they do exercise the authority, the Directors intend to follow the emerging best practice as regards its use (including as regards Directors standing for re-election) as recommended by the ABI and the National Association of Pension Funds.

Assuming the passing of the Resolution, the new authority will expire 15 months from the date of the passing of the Resolution or until the conclusion of the next annual general meeting, if earlier, and will revoke all previous authorities to the extent that they have not already been utilised apart from other specific authorities taken in respect of outstanding warrants and options which will continue unaffected. The Directors have no present intention of issuing any share capital of the Company, but the passing of this Resolution will enable the Directors to take advantage of any opportunities which may arise.

Proposed Business of the Annual General Meeting continued

Resolution 9 – disapplication of pre-emption rights
Section 561 of the 2006 Act contains pre-emption rights that require all equity shares which it is proposed to allot for cash to be offered to existing shareholders in proportion to existing shareholdings, unless a special resolution is passed to disapply such rights. Such rights do not apply to an issue otherwise than for cash, such as an issue in consideration of an acquisition. The Directors believe that these requirements are too restrictive and, it is proposed that, subject to the passing of Resolution 8, the Directors should be able to allot shares amounting to no more than an aggregate nominal amount of £2,850,159 representing approximately 15 per cent. of the equity share capital of the Company (including treasury shares) immediately after the passing of Resolution 8 otherwise than on a pre-emptive basis.

In addition, it is customary to disapply the statutory pre-emption rights altogether, and substitute similar non-statutory provisions because, for technical reasons, the statutory rights are difficult to apply in certain circumstances. The proposed Resolution therefore provides that all allotments for cash in excess of the 15 per cent. limit, must be in the form of rights issues, open offers or other pre-emptive issues except for the one third of the existing issued share capital reserved only for rights issues in accordance with the previous Resolution, and free of the statutory constraints. The broadening of the proposed Resolution to include pre-emptive issues other than rights issues is a departure from the strict wording of the ABI guidelines which is limited to rights issues, which the Directors regard as too restrictive, especially as AIM companies normally make open offers and not rights issues. The above departures in Resolutions 8 and 9 from the strict wording of the ABI guidelines should not be taken to indicate that they are being disregarded, but rather that the proposed Resolutions are designed to provide greater flexibility for the Directors to determine the form of any future pre-emptive issues in the light of market conditions and practice, at the time such an issue may be proposed.

Resolution 10 – adoption of New Articles
The Articles have been amended to reflect changes in legislation since the adoption of the Articles. The New Articles reflect current legislation and practice.

Action to be Taken
A Form of Proxy for use at the Annual General Meeting is enclosed. If you are a Shareholder you are advised to complete and return the form in accordance with the instructions printed on it so as to arrive at the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgewater Road, Bristol BS99 6ZY, as soon as possible, but in any event no later than 10:30am on 6 August 2013. Alternatively, you may cast your proxy online by following the instructions printed on the form; such electronic appointment must also be made no later than 10:30am on 6 August 2013.

The return of a Form of Proxy or the electronic appointment of a proxy does not preclude you from attending and voting at the Annual General Meeting if you so wish.

Recommendation
The Directors consider the Resolutions to be proposed at the Annual General Meeting to be in the best interests of the Company and its Shareholders. Accordingly, the Directors unanimously recommend Shareholders to vote in favour of all the Resolutions, as they intend to do in respect of their own holdings (where they control the voting rights) comprising 38,565,062 Ordinary Shares, representing approximately 20.29% of the issued share capital of the Company.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of IGas Energy plc will be held at the offices of Morrison & Foerster (UK) LLP, CityPoint, One Ropemaker Street, London EC2Y 9AW at 10:30 am on Thursday 8 August 2013 to consider, and if thought fit, pass the following Resolutions of which Resolutions 1 to 8 will be proposed as ordinary resolutions and Resolutions 9 and 10 will be proposed as special resolutions.

Ordinary Business

1. To receive and adopt the Company's Annual Report and Accounts for the 12 month period ended 31 March 2013 and the Directors' Report, and the Independent Auditors' Report on those accounts.
2. To receive and approve the Remuneration Report of the Directors for the 12 month period ended 31 March 2013 and the Independent Auditors' Report on the auditable part of the Remuneration Report.
3. To reappoint as a Director, John Bryant, who is retiring by rotation in accordance with Article 38 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
4. To reappoint as a Director, Andrew Austin, who is retiring by rotation in accordance with Article 38 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
5. To reappoint as a Director, Cuthbert McDowell, who is retiring by rotation in accordance with Article 33.2 of the Company's Articles of Association and who being eligible is offering himself for reappointment.
6. To reappoint Ernst & Young LLP as auditors of the Company from the conclusion of this Meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid.
7. To authorise the Directors to determine the remuneration of the auditors.
8. That in substitution for all existing authorities for the allotment of shares by the Directors, which are hereby revoked but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors of the Company be and are hereby generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to exercise all the powers of the Company to:

   (A) allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred as an allotment of "relevant securities") up to an aggregate nominal amount of £6,333,688; and

   (B) allot equity securities (within the meaning of section 560(1) of the 2006 Act) up to an aggregate nominal amount of £6,333,688 in connection with a rights issue or other pre-emptive offer which satisfies the conditions and may be subject to all or any of the exclusions specified in paragraph (B)(1) of the next following Resolution,

   in each case for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of the passing of this Resolution or at the conclusion of the next annual general meeting of the Company following the passing of this Resolution, whichever occurs first, provided that the Company may before such expiry, variation or revocation make an offer or agreement which would or might require such relevant or equity securities to be allotted after such expiry, variation or revocation and the Directors may allot relevant or equity securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired or been varied or revoked.

Special Business

9. That, subject to and conditionally upon the passing of Resolution 8, the Directors are hereby empowered pursuant to section 570 of the 2006 Act to allot equity securities (as defined by section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 10 as if section 561 of the 2006 Act did not apply to any such allotment provided that such power:

   (A) shall, subject to the continuance of the authority conferred by Resolution 8, expire 15 months after the passing of this Resolution or at the conclusion of the next annual general meeting of the Company following the passing of this Resolution, whichever occurs first, but may be previously revoked or varied from time to time by special resolution but so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted after such expiry, revocation or variation and the Directors may allot equity securities in pursuance of such offer or agreement as if such power had not expired or been revoked or varied; and

Notice of Annual General Meeting continued

(B) shall be limited to:

(1) the allotment of equity securities of up to an aggregate nominal amount of £6,333,688 pursuant to a rights issue, open offer, scrip dividend scheme or other pre-emptive offer or scheme which is in each case in favour of holders of Ordinary Shares and any other persons who are entitled to participate in such issue, offer or scheme where the equity securities offered to each such holder and other person are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held or deemed to be held by them for the purposes of their inclusion in such issue, offer or scheme on the record date applicable thereto, but subject to such exclusions or other arrangements as the Directors may deem fit or expedient to deal with fractional entitlements, legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or stock exchange in any territory, shares being represented by depositary receipts, directions from any holders of shares or other persons to deal in some other manner with their respective entitlements or any other matter whatever which the Directors consider to require such exclusions or other arrangements with the ability for the Directors to allot equity securities and sell relevant shares not taken up to any person as they may think fit; and

(2) the allotment of equity securities for cash otherwise than pursuant to sub-paragraph (B)(1) up to an aggregate maximum nominal amount of £2,850,159.

10. That the New Articles (initialled by the Chairman and on display at the AGM) be adopted in substitution of the Company's existing articles of association with immediate effect.

15 July 2013

By Order of the Board

MoFo Secretaries Limited
Company Secretary

Registered office:
7 Down Street
London
W1J 7AT

NOTES

(1) A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member. A Form of Proxy is enclosed.

(2) The Form of Proxy, if used, and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or, (during normal business hours) by hand, to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than 48 hours before the time fixed for holding the meeting.

(3) Completing and returning a Form of Proxy will not preclude a member from attending in person at the meeting and voting should he or she wish to do so.

(4) The Form of the Proxy must be signed and dated by the shareholder or his/her attorney duly authorised in writing, if the shareholder is a company, it may execute under its common seal, by the signature of a director and its secretary or two directors or other authorised signatories in the name of the company or by the signature of a duly authorised officer or attorney. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or in proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect to the joint holding. Names of all joint holders should be stated.

(5) Members who hold Ordinary Shares in the Company in uncertificated form must have been entered on the Company's register of members by 6.00 p.m. on 6 August 2013 in order to be entitled to attend and vote at the meeting. Such members may only vote at the meeting in respect of Ordinary Shares in the Company held at the time, if the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(6) In the absence of instructions, the person appointed proxy may vote or abstain from voting as he or she thinks fit on the Resolutions and, unless instructed otherwise, the person appointed proxy may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to any Resolution) which may properly come before the meeting.

(7) If you wish to appoint as your proxy someone other than the Chairman of the meeting, write the full name of your proxy in the space provided on the proxy form.

(8) If two or more valid Forms of Proxy are delivered in respect of the same Ordinary Share, the one which was delivered last (regardless of its date or the date of its execution) will be valid, to the exclusion of any ones previously delivered.

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
Jeffries 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

Financial and Public Relations
M: Communications
Citypoint 11th Floor
One Ropemaker Street
London EC2Y 9AW

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).

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Energy

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The Issuer’s Annual Returns
2012

Onshore energy:

delivering a secure future

IGas Energy Plc
Annual report and accounts 2011/12

IGas Energy Plc Annual report and accounts 2011/12

IGas Energy is an upstream oil and gas company focused on delivering discovered hydrocarbons in Britain.

We are now the largest operator of oil and gas fields onshore in Britain.

By focusing on delivering secure energy for Britain, we aim to deliver value to our shareholders.

Contents

Highlights 2011/12

Revenue – 15 months to 31 March 2012

£22.1m

Daily production as at 31 March 2012

2,700 boe

Production – year to 31 March 2012*

960,000 boe

Number of staff

152

* Production shown is from 1 April 2011, the effective date of the acquisition of Star Energy Group Limited, until 31 March 2012. Production from 14 December 2011, the date of completion of the Star Energy acquisition, to 31 March 2012 was 280,000 boe.

Since last year IGas Energy has moved from being a non-operated partner in the appraisal of unconventional prospects, to operating and controlling material production and resources across Britain.

Strategic

> Acquisition of Nexen Exploration UK Ltd and Star Energy Group Limited leading to majority owned and operated asset base
> Since the acquisition of Star Energy[1]:
  – 2P reserves upgraded by ca. 1 million boe
  – 2P NPV_{10} materially increased to £173MM
> Secured both equity and debt (£101.5m (net proceeds)) to fund acquisitions and provide working capital
> Secured staff, equipment and fiscal synergies needed to pursue growing resource base
> Process commenced to identify suitable farm-in partner for IGas Energy's shale assets; Greenhill, the investment bank, mandated as its advisor

Operational

> Safety
  – One year with no LTI (lost time incidents)
  – RoSPA Gold Medal award
  – Attained ISO 9001 and ISO 14001 certification
> Drilled 3 wells (DG-3, DG-4, Ince Marshes-1)
> Significant shale resource potential identified
> CBM delivery appraisal on-going
> Production at year end of 2,700boepd
> 'Chase the barrels' initiative launched
> Integration of Nexen Exploration UK Ltd and Star Energy Group Limited acquisitions

Financial[2]

> Revenue – £22.1m (2010: £0.7m)
> Gross profit – £10.1m (2010: £0.1m)
> Underlying operating profit[3] – £5.3m (2010: loss £1.7m)
> Pro forma revenue[4] for 12 months to 31 March 2012 – £69.0m (2010: £0.7m)
> Cash at 31 March 2012 – £7.9m (31 December 2010: £12.1m)
> Borrowings less cash[5] at 31 March 2012 – £74.2m (31 December 2010: cash £12.1m)
> Debt of £7.6m will have been repaid in the period from drawdown to 30 June 2012 with an anticipated further debt principal repayment of £12.0m by 31 March 2013, a deleveraging of nearly 25%

1 Since acquisition of Star Energy Group Limited; with revision in reserves being due to an updated Competent Persons Report, with IGas now having access to all fields and data.
2 Accounts are for the fifteen month period from 1 January 2011 to 31 March 2012, due to change in accounting year end. The comparators are for the year ended 31 December 2010
3 Underlying operating profit excludes the loss on oil price swaps of £18.5m and acquisition costs of £3.0m
4 Revenue for Star Energy Group Limited for the 12 months from 1 April 2011 to 31 March 2012
5 Borrowings excludes capitalised transaction costs of £7.6m

RoSPA 20 12 GOLD MEDAL Award

Delivering
a secure energy future for Britain

IGas now has a leading position in both unconventional and conventional hydrocarbons on-shore in Britain. The early indications of the potential from the shale resource within our acreage show that it could be large enough to materially reduce Britain's reliance on imported gas.

Hydrocarbons from unconventional sources have transformed the global market. The results of this year's programme, particularly from our well at Ince Marshes, are potentially transformational for the Group. Here we logged and took samples over a c.1,000ft shale section and have now interpreted these results. This has led to a more than doubling of the pre-drill estimate of gas initially in place. Following a number of unsolicited expressions of interest, from companies with both significant shale exposure and expertise, we have now appointed investment bank Greenhill to secure industry partners for the development of our acreage in the Bowland Shale.

We continue with the testing of our coal bed methane assets. The wells at Doe Green are currently dewatering.

Our conventional production assets offer the opportunity to maintain and potentially enhance current production levels. To maximise this opportunity we have launched a 'chase the barrels' initiative to assess the existing fields and well stock so as to engineer potential projects based on current production technology and a better understanding of the sub surface.

"…I am fully alert to the potential [of shale] and I am looking very closely at this industry with energy independence and security of vital importance to our country…"

Rt Hon David Cameron, Prime Minister

"Natural Gas is a critical part of the UK energy mix today and will continue to have a crucial role tomorrow"

Charles Hendry MP, Minister of State for the Department of Energy and Climate Change.

Total operational sites

>100

IGas well services Division

- Eight service units
- 20 Technicians
- Country wide coverage

IGas at a Glance: From reservoir to refinery

With assets ranging from mature discoveries made more than 50 years ago, to unconventional resources only now recoverable as a result of technical advances in oil field practices, IGas has a very significant position in discovered and potentially deliverable hydrocarbon resources across Britain.

North West/Staffs

In the North West and Staffordshire we have more than 500,000 acres under licence, which are primarily for the development of unconventional resources.

The size of the CBM resource has been demonstrated and its delivery potential is currently being appraised. As regards shale, this year's activity has begun appraisal of the potential. Within this area we have drilled a total of ten wells and have an extensive library of other borehole data and pre-existing 2D and 3D seismic. With seven sites already permitted and a similar number being pursued in the area, we are well positioned to develop these resources close to markets and customers, once the appraisal phase is completed and repeatable commercial flow rates have been demonstrated from both the coal and shale horizons.

East Midlands

In the East Midlands we have two primary production centres: Welton and Gainsborough/Beckingham.

Hydrocarbons have been produced in the East Midlands since 1959 and current production from this area accounts for approximately 60% of Group's total current production.

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

The Gainsborough/Beckingham area is made up of eleven fields and a processing facility. Oil is transported to Conoco Immingham via road tanker, gas is piped to Gainsborough-1 for power generation and produced water is pumped for reinjection.

Weald Basin

The Weald basin is the source of approximately 40% of our current production.

With eight fields ranging from Stockbridge in the west, near Winchester, to Palmers Wood near Gatwick in the East. The area has produced more than 29 million barrels of oil to date. Our 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 IGas with a valuable additional revenue stream.

North West/Staffs

Number of fields
2

Total barrels of oil produced to date
Under appraisal

Potential production sites (approved permits)
7

East Midlands

Number of fields
17

Total barrels of oil produced to date[1]
>31million

Production sites
80

Weald Basin

Number of fields
8

Total barrels of oil produced to date[1]
>29million

Production sites
17

1 Refers to the period since the wells came on stream


East Midlands
North West/Staffs
Weald basin

IGas delivering a secure future

Leading UK Oil & Gas onshore business with:

- Considerable scale
- Predominantly 100% owned and operated production and resources
- Footprint in the prolific producing East Midlands and Weald Basins
- Extensive acreage in the high potential unconventional basins of the North West/Staffs (including Bowland Shale) and North Wales
- Portfolio of booked reserves and material resources
- Significant cash flows, allowing for rapid deleveraging
- Experienced execution team
- Opportunity to leverage conventional assets, equipment, personnel and fiscal synergies to unlock unconventional resources potential

Resource and Reserves

IGas has had its reserves reassessed by Senergy[1] with IGas now having access to all fields and data. Adjusted for production, this shows an increase in 2P reserves of almost 1 million boe, as at 1 January 2012, and a reserves replacement ratio, on a 1P basis, of 117% and on a 2P basis of 194%[1].

Senergy CPR Results

	1P	2P	3P
CPR 1.7.11 (MMboe)	**6.52**	**11.13**	**16.65**
Cumulative production 1.7.11–31.12.11 (MMboe)	(0.47)	(0.47)	(0.47)
Revisions and additions (MMboe)	0.55	0.91	0.15
CPR 1.1.12 (MMboe)	**6.6**	**11.57**	**16.33**
Reserves replacement ratio	1.17	1.94	0.32

1 Senergy was requested to provide an update to its 2011 independent evaluation of the recoverable hydrocarbons expected for each asset categorised in accordance with the 2007 Petroleum Resources Management System, Gross reserves or resources are defined as the total estimated petroleum to be produced from the fields evaluated as at 1 January 2012

Balanced portfolio of producing and development assets

- Potential for significant upside to the existing oil production
- Combined business presents opportunities to grow production profile
- Considerable fiscal synergies

Experienced operational team

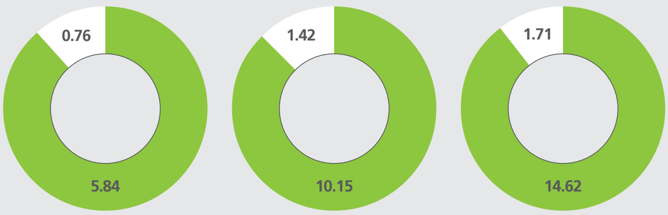
- 152 personnel experienced in both oil and gas production, development and operations
- Technical team with a proven track record
- Highly experienced site operators
- Operational assets to deliver
  - Own well services division including:
    - 3 work over rigs
    - 1 hot oil flush rig
    - 4 pump trucks
    - 6 road tanker tractor units
  - Significant oil storage and bunkering including 2 rail heads

Significant cash flows

- Facilitate rapid deleveraging
- Debt of £7.6m will have been repaid in the period from drawdown to 30 June 2012 with an anticipated further debt principal repayment of £12.0m by 31 March 2013, a deleveraging of nearly 25%

1P/1C/Low **2P/2C/Medium** **3P/3C/High** **Actions**

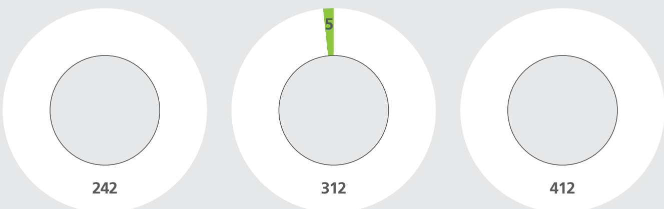
Reserves (MMboe)



Oil
Gas

Review of well stock and production upside programe

Resources (MMboe)



Oil
Gas

Unconventional appraisal

Chairman's statement

Since 1 January 2011 we have moved from being a non-operated partner having equity interests in CBM licences under appraisal, to delivering material hydrocarbon production, having full control (as operator) and ownership (100% in most cases) of our assets and having early indications of significant shale resource potential.

Unlocking potential

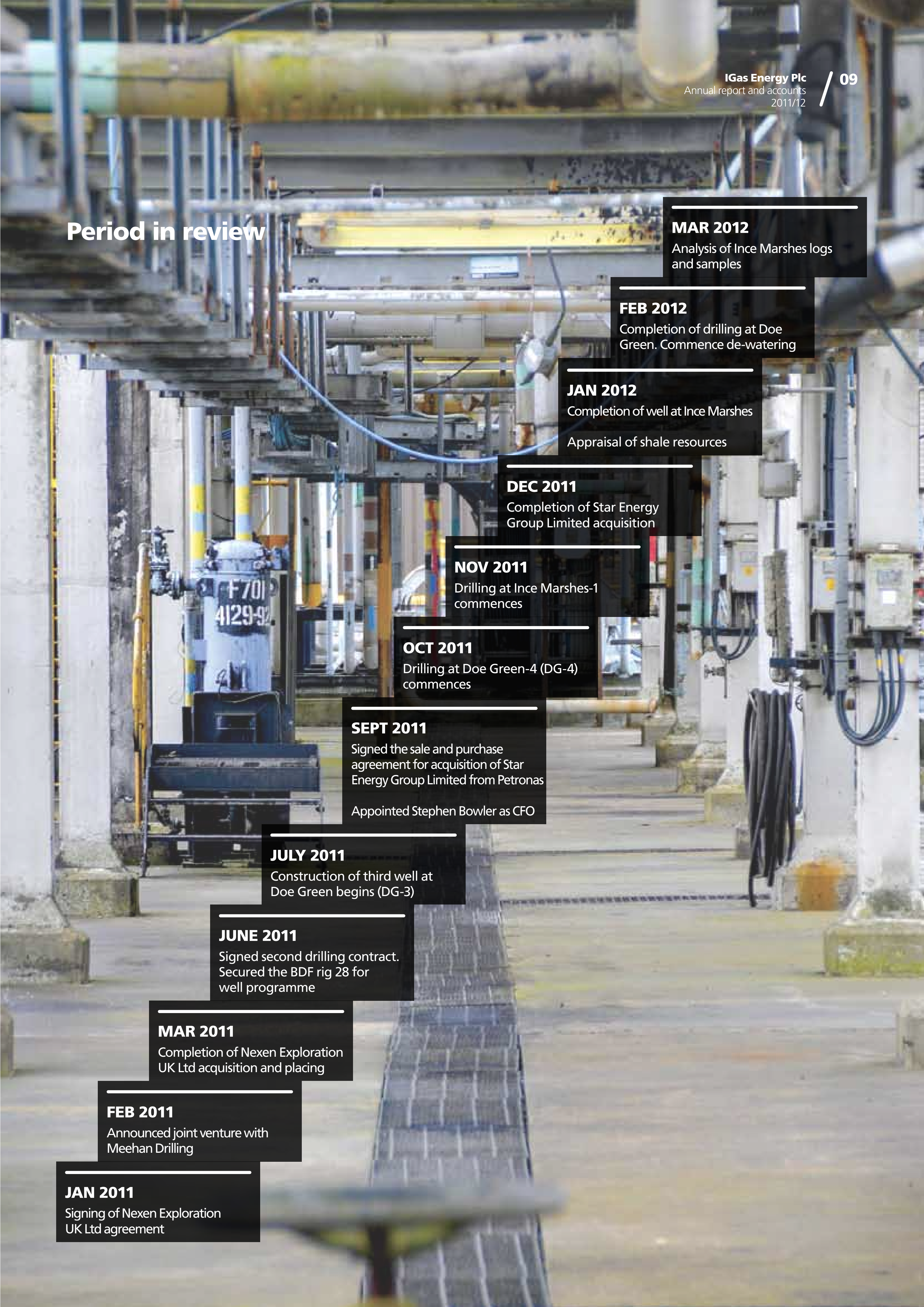
The potential of IGas as a dedicated upstream oil and gas company to contribute to the energy security of the country has become very much more significant. With our current production and potentially enormous unconventional resources we are set to be a material part of Britain's energy mix going forward. The comments by the chancellor in the budget regarding the importance of gas, by the Prime Minister regarding investigating shale (in a safe manner) and the anticipated agreement by DECC, after an independent review and public consultation into the resumption of hydraulic fraccing of shale, show the renewed commitment of the government to developing a gas based strategy to augment other forms of generation. This strategy is of course in the context of ensuring that domestic resources are fully utilised in a safe and environmentally responsible way; to which we too are fully committed.

Through the two acquisitions made in 2011, the first in March of Nexen Exploration UK Limited and then in December of Star Energy Group Limited, we have transformed our Company into being the largest operator of oil and gas fields onshore Britain. In financing these transactions we have strengthened our shareholder base with Nexen now holding 25% of IGas' equity. We have also raised more than £100 million of long-term debt and equity, to finance these transactions and our operations during the period. The Company's healthy production, has enabled debt of £7.6m to have been repaid in the period from drawdown to 30 June 2012, with an anticipated further debt principal repayment of £12.0m by 31 March 2013, a deleveraging of nearly 25%. Looking forward, in addition to healthy production, the coming year should see us starting to realise the synergies made available to us from last year's acquisitions, designed to help unlock the Company's very considerable resource potential. In this regard the announced plan to farm-out some of IGas' shale acreage, subject always to the terms being attractive for the Company and thereby shareholders, should be another important milestone.

With 152 employees at the year end, their health, safety and well-being are of upmost importance to the Board. We are pleased to report that we have now had more than a year with no lost time incidents.

Finally, I would like to welcome all of the former employees of Star Energy to IGas. Together, and focused on onshore energy, we are delivering a secure future.

Francis Gugen
Non-Executive Chairman



Period in review

MAR 2012
Analysis of Ince Marshes logs and samples

FEB 2012
Completion of drilling at Doe Green. Commence de-watering

JAN 2012
Completion of well at Ince Marshes

Appraisal of shale resources

DEC 2011
Completion of Star Energy Group Limited acquisition

NOV 2011
Drilling at Ince Marshes-1 commences

OCT 2011
Drilling at Doe Green-4 (DG-4) commences

SEPT 2011
Signed the sale and purchase agreement for acquisition of Star Energy Group Limited from Petronas

Appointed Stephen Bowler as CFO

JULY 2011
Construction of third well at Doe Green begins (DG-3)

JUNE 2011
Signed second drilling contract. Secured the BDF rig 28 for well programme

MAR 2011
Completion of Nexen Exploration UK Ltd acquisition and placing

FEB 2011
Announced joint venture with Meehan Drilling

JAN 2011
Signing of Nexen Exploration UK Ltd agreement

Chief Executive Officer's review

The outlook for 2012 and beyond sees IGas demonstrating the deliverability of our unconventional resources while continuing to deliver from our conventional fields.

"The development of gas from shale horizons clearly needs to be carried out in a way that engages with and is supported by other stakeholders in the area. In all of our operations to date both from conventional and unconventional reservoirs, our relations with those around us have always been key and will continue to remain so"
Andrew Austin, CEO, IGas Energy

The acquisition of Star Energy transforms our business.

The last fifteen months, since January 2011 have seen IGas move to controlling its assets and delivering production in Britain. The acquisition of Star Energy Group has brought us not only material current production and significant sub-surface upside potential but the people, skills, equipment and fiscal synergies that are essential to deliver onshore in Britain from both conventional and unconventional resources.

Our plans to demonstrate the deliverability of our unconventional assets continue. We have drilled three wells this year, two at Doe Green into different seams. DG-3 is a c.1,500ft lateral in the London Delph seam. Drilled with the BDF28 rig, the well was completed safely on the 4 October. The rig then drilled DG-4 well into the Plodder seam at a depth of 3,560ftTVSS. Again this well was drilled safely and the rig left site on 14 February 2012. Both wells were more complicated geologically than anticipated, however we were able to install slotted liners over a total length of c.2,500ft. All three wells (DG-2, DG-3 and DG-4) have now been hooked up to the production facilities on site since mid-March 2012 and we are currently de-watering the wells (this process is taking longer than anticipated). We look forward, post the de-watering process to announcing stabilised production rates from these wells to add to the production history we have from DG-2.

Getting the most from the mature assets in the Weald and East Midlands is a key priority for our Company and we are delighted with production levels, which at the year end were 2,700boepd. To this end, we have launched a 'chase the barrels' initiative which is to seek out opportunities for increasing production and up time and reducing lifting costs. Several projects have already been identified. Following a successful production test at Albury where gas was shown to flow at commercial rates, planning permission has been applied for to install export equipment. Other areas under consideration include the installation of rod pump controllers to reduce wear and the need for work overs. Further installation of remote monitoring and energy management arrangements are also being considered to reduce operating expenditure. We are looking to carry out another well test in the Weald Basin shortly. This will be to assess the commerciality of previously shut in wells. Following this test a decision will be made on the installation of export facilities at this location.

While the basins have been in production for considerable periods of time, the proportion of in place hydrocarbons to date recovered is still low and using modern techniques we are confident of the future potential of the assets.

Successful appraisal of our unconventional resource potential continued with Ince Marshes-1 well, which was spudded on 4 November 2011. This well was planned to log and core the coals in the area around which less was known than elsewhere in our portfolio. The entire coal sequence was encountered shallower than anticipated and the decision was taken to continue to drill into the deeper horizons to better understand the geology and resource potential of the area. While it was anticipated that shale would be encountered, the results of the drilling, the logs and samples received, completely surpassed our expectations. We encountered and logged a significant Bowland Shale section of approximately 1,000ft. The well was TD'd in the Bowland Shale due to the limitations imposed by the CBM well design criteria. The well was suspended so that it might be re-entered and deepened at a later stage to fully appraise the entire thickness of the Bowland Shale. The logs and samples were sent for independent analysis. These results indicate a resource in excess of twice the pre-drill estimate and with the total organic carbon ("TOC") observed between 1.2 and 6.9 (average 2.7) and initial analysis of the samples support our view that we may have discovered a potentially world class shale resource. Clearly further wells and analysis are required to fully appraise the shale and critically flow tests need to be performed, however our results combined with those of operators in neighbouring licences in the Bowland Shale are extremely encouraging.

The development of gas from shale horizons clearly needs to be carried out in a way that engages with and is supported by other stakeholders in the area. In all of our operations to date both from conventional and unconventional reservoirs, our relations with those around us have always been key and will continue to remain so.

It is customary practice at IGas to fully consult with the local community and other relevant stakeholder groups in all the local areas in which we operate.

We believe that gas extracted locally, including shale gas is potentially a very important part of the future energy mix in the UK and provides a number of benefits including local jobs and secure and potentially cheaper energy to local consumers.

The shale horizons we have so far identified underlie existing identified CBM resources. This offers the opportunity to develop both resources in tandem and thereby enhancing the economics of both, but particularly of the CBM.

I am particularly pleased to announce that our production division has recently been awarded our 2nd Royal Society for the Prevention of Accidents Gold Medal Award to complement our 4 previous Gold Awards. Receipt of these 6 consecutive Awards is a terrific testament to the dedication and commitment of all employees and our appointed contractors in ensuring we continue to apply the highest safety standards across our operations.

The process of integrating both acquisitions made last year is proceeding well. The acquisition of Star Energy required integration of more than 150 people and a significant number of legacy systems. We have been successful in achieving all of our "100 day" goals and now have an integrated HSE, emergency response and IT platform as well as having relocated the head office staff to IGas offices in London.

Andrew Austin
Chief Executive Officer

Our strategy

IGas has accumulated a significant hydrocarbon resource base from 35 oil and gas exploration licences in the UK. The contingent recoverable resources, totaling some 317 million barrels of oil and gas equivalent (P50), largely from CBM, represent a portfolio of development opportunities which the Company intends to exploit over the medium term, delivering natural gas to the UK's grid, oil to UK refineries and enhanced value to the Company's shareholders.

Using the onshore expertise of the now expanded IGas team, the Company will seek to enhance recovery from its portfolio of mature wells, creating avenues to improve cash flow which will be applied to further develop the Company's resource base, while at the same time seeking synergistic opportunities to acquire new onshore oil and gas acreage.

Chief Financial Officer's review

	15 months to 31 March 2012	Year to 31 December 2010
Revenues	**£22.1m**	£0.7m
Gross profit	**£10.1m**	£0.1m
Underlying operating profit/(loss)[1]	**£5.3m**	£(1.7)m
Net cash used in operating activities	**£2.6m**	£1.8m
Borrowing less cash/(cash)[2]	**£74.2m**	£(12.1)m
Net assets	**£55.0m**	£16.7m

1. Underlying operating profit excludes the loss on oil price swap contracts of £18.5m and acquisition costs of £3.0m in the period to 31 March 2012
2. Borrowings excludes capitalised transaction costs of £7.6m

The substantial cash flows generated have already enabled the Group to rapidly deleverage.

The fifteen month period to 31 March 2012 was transformational for the IGas Group, through the acquisitions of Star Energy Group Limited ("Star Energy") and Nexen Exploration UK Limited alongside its drilling programme. Through this activity, IGas has become a full cycle oil and gas company with significant experience in operating onshore Britain.

Following the acquisition of Nexen Exploration UK Limited in March 2011, IGas became the operator and 100% owner of each of its licences across Britain and increased its Contingent Recoverable Resource 2C (P50) by 115% to 1,736bcf or 290 million barrels of oil equivalent (boe). In exchange, Nexen received 39,714,290 IGas shares equivalent to 29.9% of the then issued share capital. This accretive transaction laid the foundations for a share placing which raised net proceeds of £19.9m to fund the Company's drilling programme, whilst broadening and improving the Company's shareholder register.

On 14 December 2011, IGas completed the acquisition of Star Energy creating a substantial onshore oil and gas company. As a result, the financial results for the 15 months ended 31 March 2012 incorporate 3.5 months of results from Star Energy. The consideration of £110m was funded through the drawdown of new debt facilities with Macquarie Bank ($135m), cash generated by Star prior to closing (from the effective date of 1 April 2011) and IGas' existing cash resources.

Income statement

The Group recorded revenues of £22.1m in the period (2010: £0.7m), of which £2.0m (2010: £nil) was generated through the sale of third party oil. Group oil production in the period since 14 December 2011, the date the Star Energy acquisition was completed ("Period Post Completion"), was 280mboe, representing an average of 2,615boepd with production at the year end of 2,700boepd. In the Period Post Completion, the realised price per barrel (pre-hedge) averaged £73.4 ($117.0) per barrel with narrow discounts to Brent crude prices achieved. After taking into account the effect of long-term hedging at $93.4 the average realised oil price in the Period Post Completion was £65.1 ($103.2) per barrel. This hedging has the potential to be of considerable benefit if the oil price environment in existence at the time of writing this report continues.

Cost of sales of £12.0m (2010: £0.6m) includes depreciation, depletion and amortisation ("D,D&A") of £3.2m (2010: £nil), and operating costs of £8.8m (2010: £0.6m), including £1.8m charged in relation to processing third party oil. Operating costs per barrel of oil equivalent were £19.90 (Operating costs per barrel for Star Energy Group Limited for the 12 months from 1 April 2011 to 31 March 2012 £20.00), excluding the third party costs. These costs include transportation costs of £3.30/boe and the cost of the provision of our well services division of £2.64/boe.

Administrative expenses were £5.0m (2010: 1.8m). Acquisitions costs of £3.0m (2010: £nil) related to the acquisitions of Star Energy.

The Group entered into oil price hedging during the period and in accordance with International Auditing Standard (IAS) 39 – "Financial Instruments: Recognition and Measurement" a charge was made of £18.5m in relation to the loss on oil price swap contracts. Most of the loss on these contracts was incurred due to the mark to market cost of the financial derivatives which the Company had in place at the year end, of which £16.1m is non-cash. As at 31 March 2012, the Group had 2.28 million barrels hedged over the period to 31 December 2017 at an average price of $93.4/barrel (55% being in pounds sterling), of which 0.53m barrels are hedged in the year to 31 March 2013.

Other income amounted to £0.2m and related to agency revenues from the processing and sale of third party oil. Net finance costs amounted to £1.7m (2010: net finance income £0.2m) reflecting the debt drawn in December 2011 to fund the acquisition of Star Energy and a £1.7m gain on the revaluation of the warrants issued during the period.

Gross profit of £10.1m was recognised in the period (2010: £0.1m), with underlying profit, before the loss on forward oil contracts and acquisition costs of £5.3m (2010: loss £1.7m). Loss attributable to equity shareholders of the Group was £12.1m (2010: £1.5m).

Cash flow

Cash used in operating activities in the period amounted to £2.6m (2010: £1.8m).

On 9 March 2011, the Company raised gross proceeds of £20.6m for 27.5m new ordinary shares when the acquisition of Nexen Exploration U.K. Limited became unconditional on 9 March 2011.

The Group drew down £81.5m net of expenses under new debt facilities with Macquarie Bank to fund the acquisition of Star Energy in December 2011. The Group repaid £3.1m ($4.95m) of debt principal in the period and will have repaid over £7.6m ($12.2m) by the end of June 2012.

The Group incurred capital expenditure of £17.8m (2010: £3.6m), of which c.£12.5m related to drilling costs for its three well programme during the period; Ince Marshes-1, Doe Green-3 and Doe Green-4.

Balance sheet

The Group's non-current assets increased by £174.2m during the period to £179.1m and included the acquisitions of Star Energy and Nexen Exploration UK Limited as well as expenditure of £19.2m on appraisal drilling on the Group's unconventional assets in the North West.

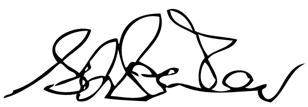
Net assets increased by £38.3m over the period to £55.0m.

On 9 March 2011, the Group acquired the entire issued share capital of Nexen Exploration UK Limited for a consideration of £29.2m, satisfied through the issue of 39,714,290 IGas shares. The acquisition was aligned to the Group's strategy of securing 100% ownership of assets and operatorship.

On 14 December 2011, the Group acquired the entire issued share capital of Star Energy for a cash consideration of £110m. The Star acquisition has been accounted for as a business combination by the acquisition method of accounting with an effective date of 14 December 2011, being the date the Group gained control of Star Group. Goodwill of £15.6m (2010: £nil) relates to the acquisition of Star Energy and arises principally due to the intangible value gained by the Group through now benefiting from an experienced team of oil industry professionals operating in the UK onshore market; the relationships and reputation developed with central and local government in Great Britain; the considerable potential for discovery of additional reserves of both conventional and unconventional resources in Star's licence areas; and a deferred tax adjustment arising from the fair value exercise. A deferred tax asset of £18.0m has been recognised at 31 March 2012 for tax losses within the Group, principally in relation to £31.6m of corporation tax losses and £29.0m of supplementary charge losses carried forward, reducing the deferred tax liability to a net £23.6m.

Net debt, being borrowings less cash, at the year end amounted to £74.6m. Transaction costs of £7.6m 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.

IGas is now well positioned to exploit its significant asset base. The substantial cash flows generated by the conventional assets have already enabled the Group to rapidly deleverage with £3.1m ($4.95m) of debt principal repaid in the period to 31 March 2012, and over £7.6m ($12.1m) will have been repaid at 30 June 2012, with an anticipated further debt principal repayment of £12.0m ($19.1m) by 31 March 2013 a deleveraging of nearly 25%.



Stephen Bowler
Chief Financial Officer

Revenue
£22.1m

Pro forma revenue
£69m

Underlying profit
£5.3m

Deleveraging by 31 March 2013
25%

Corporate Social Responsibility Report

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

Cold Hanworth, an IGas production site in the East Midlands

Albury Produce Show & Music Festival

During the period we systematically worked to achieve a greater understanding of who our stakeholders are, on the basis of our current activities and operations. This process shall continue as our Company evolves, so that we remain aligned, as far as possible, with the expectations and needs of our stakeholders including readers of this Report. One of our key CSR aims is to engage effectively and report on issues that are material to our stakeholders.

We are aware of a number of recognised CSR standards and sector framework mechanisms, and shall continue to evaluate the most appropriate approaches to continue improving the quality of our future Reports. This year we have adopted the approach of the Business in the Community's (BITC) CR framework covering the four pillars of: environment, community, marketplace and workplace.

Feedback can be provided through the contact details noted in this Report or via our website (see http://www.igasplc.com/contactus.aspx). We are keen to solicit feedback on our performance in general and this Report specifically, from a growing number of stakeholders. At the end of 2011 the acquisition of Star Energy resulted in a step-change in our scale, and added a new conventional oil & gas aspect to our previously unconventional business, as well as additional lifecycle activities e.g. road and rail distribution.

During 2011 we developed SMART Objectives, Targets & Management Programmes, and these have evolved into KPIs ("key performance indicators"). Our aim for future CSR reporting is to focus on tangible metrics, and provide a description of material issues, governance and performance measurement. This year we have provided some case studies to demonstrate our performance.

Examples of local charities we have donated to:

- **Blindley Village Show**
- **Albury Produce Show & Music Festival**
- **Rempstone Village Jubilee Celebrations**
- **Southampton General hospital – childrens unit**

1. Environment

During 2011 we achieved certification to the Environmental Management standard, ISO 14001 for IGas Energy plc. This certification will be extended during 2012 to all Group companies. For all our sites we undertake initial risk assessments which focus on environmental issues (sensitivity screening reports), and have applied impact mitigation through all phases up to final site restoration. In addition our sites are monitored throughout the life of our developments. An example of effective mitigation is our Ellesmere Port site where we moved the existing grass habitat to a secure area of the site prior to Drilling operations. We continued to support the ecology here through low-impact species control, designed to help the most important species to thrive.

2. Community

Where appropriate we seek to set up Community Liaison Groups. These are designed to allow us to have effective dialogue with local community representatives, from preliminary planning phases through to operational activities. These are further designed to enable all parties to have their voices heard and concerns responded to in a timely fashion. Security and safety of personnel are a top priority. In terms of site safety, we routinely implement facility HSE and ER Plans which include risk assessments and mitigation that extend to considering issues within the local geographic area. To safeguard our sites and localities, we have Emergency Preparedness and Response arrangements (including regular drills and exercises) and Incident Response and Reporting processes.

3. Marketplace

During 2011 we achieved certification to the Quality Management standard ISO 9001 for IGas Energy plc. This certification will be extended during 2012 to all Group companies. We have developed Anti-bribery and Corruption policies and procedures and are actively working to ensure these continue to be thoroughly implemented throughout our supply chain. We operate on the basis of transparent purchasing, and collaborative relationships with contractors. Vendor selection and management includes HSE performance criteria, and as a result we also encourage good performance by our contractors. In addition we are a founder member of the recently reconstituted UKOOG association which represents the onshore oil industry through active engagement with stakeholders and promoting best practice.

4. Workplace

Our Management System is aligned to the requirements of the occupational health and safety standard, OHSAS 18001. Our aim for the future is to achieve certification to this standard. In the meantime we are committed to our responsibilities to provide appropriate working conditions for all our personnel, whether staff, contractor or visitor.

We believe that successful management of potential CSR risks and impacts is a precondition to the continued growth of our Company and this sector of the oil & gas industry within Britain, with positive implications for the supply chain as well as local communities.

One area that IGas has focused on is the establishment of a set of onshore industry guidelines for well integrity and fraccing operations. IGas, as a leading operator of unconventional resources (shale and CBM) has been a founder member of a cross-party work group, conducted under the auspices of UKOOG, drafting these guidelines. A key aim of these guidelines is to demonstrate, that although the industry is highly regulated by the relevant authorities (eg DECC/Health & Safety Executive and the Environmental Agency as well as local Planning authorities), it recognises the need to ensure that the concerns expressed regarding such issues as induced seismicity, aquifer protection, chemical transparency, water treatment, fugitive emissions etc are acknowledged and appropriately addressed by the industry. This commitment to establishing what are effectively "best practice" guidelines is another reflection of the importance IGas places on its' CSR obligations.

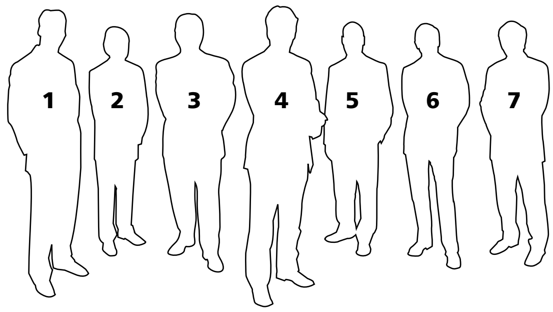
Star Energy Group Limited, which we acquired at the end of 2011, had a long history of effective HSE and CSR management. One example is the Albury drilling project (2009 onwards) in Surrey. Over and above the mitigation and restrictions imposed by the planning and other permit conditions, the project team instigated a number of additional measures which, we believe, provided some considerable benefit to the surrounding community. These included:

- Novel bespoke engineering solutions e.g. acoustic enclosure for rig;
- Considerate Constructors Scheme membership;
- Visits for the local village Primary school to site;
- Financial donations to community projects totaling nearly £35,000;
- Village enhancement (litter collections, new bus shelter and landscaping); and
- 24 hour complaint line.

We believe that while bringing any Project to a successful conclusion requires addressing the usual technical challenges, consideration must also be given to societal needs since working with the community towards the declared objective of being a 'good neighbour' forms a fundamental element of any successful company.

Working with the community towards the declared objective of being a 'good neighbour' forms a fundamental element of any successful company.

Directors



1. Francis Gugen
Non-Executive Chairman

Francis is a founder and Non Executive Chairman and has over thirty 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 Euro 224m. He is past president of the UK Offshore Operators Association, past chair of the industries representation on the UK Government Oil & Gas Task Force (Pilot) and past chair of the CBI's Environmental Affairs Committee. Francis is a chartered accountant having worked for Arthur Andersen for eight years until 1982, principally as an oil and gas specialist.

2. 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. Before joining Cinergy, John was executive director with Midlands Electricity plc. He has been involved in developing a number of large gas fired power stations both in the UK and overseas, together with both electricity and gas distribution in Europe and Africa, renewable power in Europe and North America and gas and electricity trading. His prior experience was at British Sugar plc, Drexel Limited, the British Oxygen Company and Unilever plc. Drexel, where he was president, was a global oil and gas equipment manufacturing and servicing company. John is a Fellow of the Institute of Directors and a Fellow of the Royal Society of Arts.

3. 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 the Company on 1 November 2011.

4. Andrew Austin
Chief Executive Officer

Andrew is one of the founders and the Chief Executive Officer and previously he specialised in energy projects in the gas, electricity and renewables sector. Andrew has been an Executive Director since 2004 and for the last five years has been CEO with full time responsibility for day to day operations and business development. Prior to joining IGas Andrew has been involved in ventures as principal and has also raised substantial funds from private and public equity for clients during the course of his career to date. Andrew spent 17 years working in investment banking in the City of London with Merrill Lynch, Nomura, Citibank and Barclays Capital. Latterly he was general manager of Creditanstalt Investment Bank in London. He also has six years of management and consultancy experience with clean tech companies including Generics Group and Whitfield Solar.

5. John Blaymires
Chief Operating Officer

John has 29 years of international experience in the oil and gas industry gained 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.

6. John Hamilton
Non-Executive Director

John is the Managing Director of Levine Capital management Advisors Limited, a UK incorporated company and interim chairman at President Petroleum Corporation Plc. John was previously the Group Finance Director of Imperial Energy Corporation Plc. Prior to joining Imperial Energy, John held senior positions at ABN AMRO.

7. Richard Armstrong
Non-Executive Director

Richard is an associate with Fiske plc, the AIM quoted stockbrokers. He is a former equity analyst with extensive experience in reconstructing and raising capital for turnaround situations especially in the quoted microcap sector, such as Weatherly International plc and Artilium plc. In most cases, he has joined the board of these companies and has played a major role in helping them to acquire or establish operating businesses. He is currently a director of a number of unquoted companies.

Corporate governance

The Board of Directors support high standards of corporate governance and the guidance set out in the UK Corporate Governance Code. As a Company that is quoted on AIM, it is not required to comply with the UK Corporate Governance Code but all the Directors intend to comply with its main provisions as far as is practicable having regard to the size and composition of the Group.

The Board and its committees

The Board of the Company consists of three Executive Directors and four Non-Executive Directors; with Mr Armstrong and Mr Bryant 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 Richard Armstrong and having as other members John Bryant and John Hamilton. The Chairman, Chief Executive Officer and Chief Financial Officer 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 Richard Armstrong and John Hamilton. 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 Senior Independent Non-Executive Director, John Bryant, and its other members are the Non-Executive Director, Richard Armstrong, and the Chairman, Francis Gugen. 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 are reviewed on an ongoing basis. 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 on the internet (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 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

When setting the salary of the Directors, the committee has considered the following:

- levels of salary for similar positions in similar organisations (based on size, complexity and sector);
- the performance of the individual Director; and
- the individual Director's experience and responsibilities.

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 certain Directors under the plan is to up to 100% of base salary.

The Remuneration Committee reviewed the financial performance of the Company and, in recognition of the performance achieved against agreed targets, determined that bonuses for the period should be at the following levels:

- Andrew Austin: £86,000
- John Blaymires: £33,000
- Stephen Bowler: £15,000

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

The Remuneration Committee reviewed the long term element of the remuneration package as it was felt that the LTIP put in place in October 2010 was no longer appropriate. This review resulted in the introduction of the 2011 Long Term Incentive Plan ("2011 LTIP") to support the long term business strategy and drive executive performance. Since all of the Directors chose to waive their outstanding options, the 2011 LTIP is the only long term incentive that will be used for executives.

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 two types of award: an Initial Award and an Annual Award. Both types of award are structured as nil cost options. Initial Awards can be granted over up to 300% of base salary and, in any year, Annual Awards can be granted over up to 150% of base salary (subject to an overall limit applying to all employee share plans operated by the Company of 10% of the issued share capital of the Company in any ten year period). To date, only Initial Awards have been granted under the 2011 LTIP. The Initial Awards granted to Directors (see table below) were granted as a retention tool and to ensure that the Directors have a significant performance-related element to their reward package, following the review of incentives referred to above.

The 2011 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%. This target has been selected to focus the executives' behaviour on driving company growth over the performance period. In addition, Annual Awards only vest where an agreed percentage of the participant's net bonus has been used to acquire Company shares which are still held at the end of the vesting period. On a change of control prior to the third anniversary of the grant date, a proportion of the options shall vest. The proportion of the options that vests will be determined by the Remuneration Committee taking into account relevant factors such as the time the Option has been held by the participant and the performance achieved in the period from the grant date.

The Group's share price as at 31 March 2012 was 46.5p per share. The highest price during the period was 84p per share and the lowest share price during the period was 43.5p per share.

Directors' remuneration report continued

Current arrangements

Executive Directors

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

Directors' emoluments for the period were as follows:

Executive Directors	Current annual salary/fees £000	15 months ended 31 March 2012 Salary/Fees £000	Bonus £000	Taxable Benefits £000	Pensions £000	Total £000	Year ended 31 December 2010 Total £000
F Gugen – Executive Chairman (to 19 October 2010)	–	–	–	–	–	–	83
A Austin – Chief Executive Officer	260	325	86	4	49	464	353
B Cheshire – Executive Technical Director (resigned 20 June 2011)	–	50	–	–	–	50	125
S Bowler – CFO (Appointed 01 November 2011)	200	83	15	–	13	111	–
J Blaymires – COO (Appointed 19 October 2010)	200	250	33	4	37	324	39
Total – Executive Directors	660	708	134	8	99	949	600

Non-Executive Directors		Emoluments £000	Other Consultancy Services £000	Taxable Benefits £000	Pensions £000	Total £000	Total £000
F Gugen – Non-Executive Chairman (from 19 October 2010)	80	100*	–	–	–	100	17
J Bryant – Senior Independent	45	56*	35**	–	–	91	35
R Armstrong	35	44	35**	–	–	79	35
J Hamilton	35	64*	–	–	–	64	35
Total – Non-Executive Directors	195	264	70	–	–	334	122

* Part of these emoluments are paid to companies that provide the services
** Payments were made as a consequence of the acquisition of Nexen Exploration UK Limited

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.

Each Executive Director is entitled to receive a cash bonus dependent on the achievement of various objective targets and milestones as set by the Remuneration Committee.

As at 31 March 2012, the outstanding long term incentives held by the Directors who served during the period are as set out in the table below:

Long term incentive arrangements

	Date of Grant	At 1 January 2011	Granted	Exercised	Waived	As at 31 March 2012	Earliest vesting date	Lapse date
A Austin	19.10.10	700,000	–	–	(700,000)	–	–	–
	21.11.11	–	1,029,702	–	–	1,029,702	21/11/2014	21/11/2021
J Blaymires	19.10.10	375,000	–	–	(375,000)	–	–	–
	19.10.10	910,930	–	–	(910,930)	–	–	–
	21.11.11	–	681,743	–	–	681,743	21/11/2014	21/11/2021
S Bowler	21.11.11	–	396,040	–	–	396,040	21/11/2014	21/11/2021

Non-Executive Directors

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

John Bryant
Chairman Remuneration Committee
29 June 2012

Directors' report

The Directors present their report together with the Group and Parent Company financial statements for the 15 months ended 31 March 2012.

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.

Results and dividends

The Group's profit for the period after taxation but before costs of marking oil price, interest rate derivatives and warrants to market and acquisition costs was £2.6 million. After adjusting for these items amounting to £20.5 million the total loss for the period was £17.9 million (2010: loss £1.5 million). The Directors do not recommend the payment of any dividend.

Going Concern

The Directors consider that, having taken into consideration the factors set out in note 1(a) in the financial statements, the expected operating cash flows of the group combined with the current borrowing facilities 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 resources in Great Britain.

Share Capital

Details of changes to share capital in the period 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 R Gugen	Non-Executive Chairman
A P Austin	Chief Executive Officer
J M Blaymires	Chief Operating Officer
S D Bowler	Chief Financial Officer – Appointed 1 November 2011
B Cheshire	Executive Technical Director – Resigned 20 June 2011
J Bryant	Non-Executive
R J Armstrong	Non-Executive
J A Hamilton	Non-Executive

The interests of the Directors in the shares of the Company at 31 March 2012 were as follows:

	31 March 2012 Ordinary 50p Shares		31 December 2010 Ordinary 50p Shares	
	Number	**%**	Number	%
F R Gugen	**27,615,764**	**17.03**	27,615,764	29.66
A P Austin	**10,659,253**	**6.57**	11,429,253	12.28
J M Blaymires	**20,000**	**0.01**	0	0.00
S D Bowler	**40,000**	**0.02**	0	0.00
J Bryant	**57,870**	**0.04**	50,370	0.05
R J Armstrong	**65,960**	**0.04**	58,460	0.06
J A Hamilton	**85,000***	**0.05**	85,000	0.09
Former Directors	**	–	11,429,253	12.28

* J Hamilton is beneficially interested in 85,000 Ordinary Shares out of a total of 14,454,135 held by Peter Levine and Levine Capital Management Ltd, the latter of whom he is deemed to be associated with for these purposes.

** Former Directors was in relation to B Cheshire who still held the same shares as at 31 March 2012 but these were not reported as he is no longer a Director.

Rotation and re-election of Directors

In accordance with the Articles of Association F Gugen retires by rotation and being eligible offers himself for re-election. S D Bowler was appointed by the Board during the period and, in accordance with the Articles of Association, offers himself for re-election.

Directors' report continued

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 7 June 2010. These provisions remained in force throughout the year and remain in place at the date of this report.

Substantial shareholders

At 28 June 2012, 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	24.77
Peter Levine and Levine Capital Management Ltd	14,454,135	8.91
Baillie Gifford & Co	8,088,217	4.99
Artemis Investment Management LLP	5,298,333	3.27

Principal risks and uncertainties

- 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 now owns and operates. The Group has entered into a series of oil price swaps until 31 December 2017 which have fixed the price of 1,023,829 barrels of oil at an average Brent price of $93.40 per barrel and a further 1,251,344 barrels at an average Brent price of £58.80 per barrel. The Board will continue to monitor the benefit of such contracts.
- 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 dollars. The UK pound sterling oil price swaps have been taken out in order to mitigate this risk as it affects the need to fund operating costs fixed in UK pound sterling.
- The Group is exposed to interest rate risk through its borrowings. This has been mitigated by entering into a series of interest rate swaps to fix the price of 50% of the group's borrowings.
- 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 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 given its 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 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 mitigated through compliance with regulations and the expertise and experience of its operating team.
- 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 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.

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 Operational review.

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.

Creditor payment policy and practice
It is the Group's normal practice to agree payment terms with its suppliers and abide by such terms. Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with the relevant contractual conditions. The amount owed by the Company to trade creditors at the end of the financial year represented 44 days of daily purchases for the Company (2010: 15 days).

Charitable and political contributions
During the period, the Group made charitable donations of £600 to local causes (2010: £nil). There were no political donations during the period (2010: £nil)

Status
The Company is not a close 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.

Auditors
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 auditors
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

Statement of Directors' 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 IFRSs 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 in accordance with the Companies Act 2006 and applicable regulations.

Independent auditor's report to the members of IGas Energy Plc

We have audited the group financial statements of IGas Energy plc for the 15 months ended 31 March 2012 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 28. 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. 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 2012 and of its loss for the 15 months 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 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 15 months ended 31 March 2012.

Daniel Trotman
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 June 2012

Consolidated income statement
For the 15 months ended 31 March 2012

	Notes	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Revenue	2	**22,120**	656
Cost of sales:			
Depletion, depreciation and amortisation		**(3,203)**	–
Other costs of sales		**(8,838)**	(589)
Total cost of sales		**(12,041)**	(589)
Gross profit		**10,079**	67
Administrative costs		**(4,998)**	(1,780)
Costs relating to the acquisition of Star Energy Group Ltd		**(2,986)**	–
Other income		**235**	–
Loss on oil price swaps		**(18,512)**	–
Operating loss	3	**(16,182)**	(1,713)
Finance income	6	**2,374**	170
Finance costs	6	**(4,089)**	–
Net finance (costs)/income		**(1,715)**	170
Loss on ordinary activities before tax		**(17,897)**	(1,543)
Income tax credit		**5,773**	–
Loss from continuing operations attributable to equity shareholders of the Group		**(12,124)**	(1,543)
Basic and diluted (loss) per share (pence/share)	8	**(8.14p)**	(1.69p)
Adjusted basic earnings per share (pence/share)	8	**5.6p**	
Adjusted diluted earnings per share (pence/share)	8	**5.4p**	

Consolidated statement of comprehensive income

For the 15 months ended 31 March 2012

	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Loss for the period	**(12,124)**	(1,543)
Other comprehensive income for the period	–	–
Total comprehensive loss for the period	**(12,124)**	(1,543)

Consolidated balance sheet
As at 31 March 2012

	Notes	31 March 2012 £000	31 December 2010 £000
Non-current assets			
Intangible exploration and evaluation assets	11	**57,237**	4,644
Property, plant and equipment	12	**106,243**	205
Goodwill	10	**15,599**	–
		179,079	4,849
Current assets			
Inventories	14	**716**	–
Trade and other receivables	15	**12,113**	589
Cash and cash equivalents	16	**7,915**	12,087
		20,744	12,676
Current liabilities			
Trade and other payables	17	**(10,480)**	(797)
Current tax liabilities	7	**(3,561)**	–
Finance lease liability	22	**(51)**	–
Borrowings	18	**(16,475)**	–
Other liabilities	19	**(2,806)**	–
Derivative financial instruments	23	**(8,713)**	–
		(42,086)	(797)
Net current (liabilities)/assets		**(21,342)**	11,879
Total assets less current liabilities		**157,737**	16,728
Non-current liabilities			
Borrowings	18	**(58,477)**	–
Derivative financial instruments	23	**(7,979)**	–
Deferred tax liabilities	7	**(23,231)**	–
Provisions	20	**(13,092)**	–
		(102,779)	–
Net assets		**54,958**	16,728
Capital and reserves			
Called up share capital	24	**54,213**	19,665
Share premium account	25	**18,036**	2,500
Other reserves	26	**(1,140)**	(1,236)
Retained earnings/(accumulated deficit)		**(16,151)**	(4,201)
Shareholders' funds		**54,958**	16,728

These financial statements were approved and authorised for issue by the Board on 29 June 2012 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 15 months ended 31 March 2012

	Called up share capital (Note 24) £000	Share premium account £000	Other reserves £000	Retained earnings (accumulated deficit) £000	Total £000
Balance at 1 January 2010	**18,617**	**2,203**	**131**	**(2,789)**	**18,162**
Changes in equity for 2010					
Total comprehensive loss for the year	–	–	–	(1,543)	(1,543)
Lapse of warrants	–	–	(131)	131	–
Employee share plans cost under IFRS (note 26)	–	–	63	–	63
Issue of shares during the year	1,048	297	(1,299)	–	46
Balance at 31 December 2010	**19,665**	**2,500**	**(1,236)**	**(4,201)**	**16,728**
Changes in equity for 2011					
Total comprehensive loss for the period	–	–	–	(12,124)	(12,124)
Capital contribution			47		47
Employee share plans cost under IFRS2 (note 26)	–	–	49	174	223
Issue of shares during the period	34,548	15,536	–	–	50,084
Balance at 31 March 2012	**54,213**	**18,036**	**(1,140)**	**(16,151)**	**54,958**

Consolidated cash flow statement

For the 15 months ended 31 March 2012

	Notes	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Operating activities:			
Loss before tax for the period/year		**(17,897)**	(1,543)
Depreciation, depletion and amortisation	3	**3,354**	9
Unwinding of discount of decommissioning		**197**	–
Share-based payment charge		**1,117**	37
Loss on derivative financial instruments		**16,160**	–
Finance income	6	**(2,374)**	(170)
Finance costs	6	**4,089**	–
Increase in trade and other receivables		**(3,866)**	(331)
Increase in trade and other payables, net of accruals related to investing activities		**(1,025)**	196
Increase in inventories		**(34)**	–
Impairment of E&E assets		**42**	–
Abandonment costs incurred		**(18)**	–
Revaluation		**3**	–
Taxation paid		**(2,340)**	–
Net cash used in operating activities		**(2,592)**	(1,802)
Investing activities			
Acquisition of exploration and evaluation assets		**(17,880)**	(3,608)
Acquisition of property, plant and equipment		**(653)**	(220)
Acquisition of Star Energy Group Ltd	9	**(79,630)**	–
Interest received		**336**	170
Net cash used in investing activities		**(97,827)**	(3,658)
Financing activities			
Cash proceeds from issue of Ordinary Share Capital	24	**19,944**	46
Capital contribution	26	**47**	–
Interest paid	6	**(2,143)**	–
Cash proceeds from loans and borrowings		**84,569**	–
Loan issue costs		**(3,141)**	–
Repayment of loans and borrowings		**(3,100)**	–
Repayment of finance lease/hire purchase agreement		**(21)**	–
Net cash from financing activities		**96,155**	46
Net (decrease) in cash and cash equivalents in the period/year		**(4,264)**	(5,414)
Net foreign exchange difference		**92**	–
Cash and cash equivalents at the beginning of the period/year		**12,087**	17,501
Cash and cash equivalents at the end of the period/year	16	**7,915**	12,087

* There was a significant non-cash transaction relating to the acquisition of Nexen Exploration UK Limited. Consideration consisted of 39,714,290 new ordinary shares of 50p, further details can be found in note 9.

Consolidated financial statements – notes
As at 31 March 2012

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 in accordance with International Financial Reporting Standards, adopted for use by the European Union ("IFRSs") as they apply to the Group for the 15 months ended 31 March 2012 and with the Companies Act 2006. The accounting periods are not comparable with the prior year as this 15 month period represents a long period of account to align the year end with the newly acquired entity Star Energy Group Limited. The accounts were approved by the board and authorised for issue on 29 June 2012. IGas Energy plc is a public limited company incorporated and registered in England and Wales.

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

During the period, the Group adopted the following new and amended IFRS which were applicable to the Group's activities as of 1 January 2011.

		Effective date
International Accounting Standards (IFRS/IAS)		
IAS 24	Amendment to IAS 24 – Related Party Disclosures – This amendment clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group has considered the effect of this interpretation and has concluded that there is no impact on the financial statements	1 January 2011

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011.
– IAS 24 Related Party Disclosures
– IAS32 Financial Instruments: Presentation
– IFRIC 14 Prepayments of a Minimum Funding Requirement

These amendments have no impact on the financial position or performance of the Group.

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 2012 or later periods and which the Group has not adopted early. Those that may be applicable to the Group in future are as follows:

		Effective date*
International Accounting Standards (IFRS/IAS)		
IAS 1	Amendment to IAS 1 – Financial Statement Presentation – This amendment changes the grouping of items presented in the 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 will have no impact on the Group's financial position or performance.	1 July 2012
IFRS 9	IFRS 9 – Financial Instruments: Classification and Measurement – IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.	1 January 2015
IFRS 7/IAS 32	IFRS 7/IAS 32 -The amendments to IAS 32 and 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 clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014. The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013. The Group is currently assessing the impact that these amendments will have on the financial position.	1 January 2013 1 January 2014
IFRS 10	IFRS10 – 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 will require 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.	1 January 2013

Consolidated financial statements – notes continued

1 Accounting policies continued

IFRS 11	IFRS11 – Joint Arrangements – IFRS11 establishes principle of the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS31. It removes the option for jointly controlled entities (JCE) using proportionate consolidation.	1 January 2013
IFRS 12	IFRS12 – Disclosures of involvement with other entities – IFRS12 combines, enhances and replaces the disclosure requirement for subsidiaries, joint arrangements, associates and in consolidated structured entities.	1 January 2013
IFRS 13	IFRS 13 – Fair Value Measurement – IFRS13 defines fair value, setting out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value.	1 January 2013
IAS 28	IAS28 – Investments in Associates and Joint Venture- IAS28 has been renamed as a consequence of the new IFRS 11 and IFRS 12 and describes the application of the method to investments in joint venture in addition to associates.	1 January 2013
IAS 27 Revised	IAS 27 Revised – Consolidated and Separate Financial Statements. The objective of the Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013

* 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 Directors do 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's principal activity and principal risks and uncertainties are set out in the Directors' report. The ability of the Group to operate as a going concern is dependent upon the continued availability of bank funding, which in turn is dependent on the Group not breaching covenants, without cure or formal waiver from its bankers. Under its bank facilities the Group drew down $135 million of committed funds in connection with the acquisition of Star Energy Group Limited, which is repayable in tranches over the period of a five year term until December 2016. The Group regularly monitors forecasts to determine that breaches 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. The Group is protected to a material degree against volatility in the oil price, by having a significant proportion of its production hedged at above $90 per barrel. Despite this, there can be no certainty that these forecasts will be achieved, in which case the financial covenants could be breached. Should any breach be anticipated to arise, the Group would manage its working capital profile, reduce discretionary expenditure, where necessary and, if applicable, take additional mitigating actions that have already been identified as a precautionary measure. The Directors consider that the expected operating cash flows of the group combined with the current borrowing facilities 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.

(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 2012 the Group comprised the Company and entities controlled by IGas Energy plc (its subsidiaries) made up to the reporting period at this date. The results of subsidiaries acquired during the period 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.

1 Accounting policies continued

(e) Interest in associates

An associate is an entity in which the Group has a long-term equity interest and over which it has significant influence, but not control, through participation in the financial and operating policy decision of the investee. Significant influence can change if, for example, the entity goes into administration or liquidation.

This results in assets and liabilities of associates being incorporated in these financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Where the Group's share of any retained loss in an associate exceeds its investment, the Group's investment is capped at zero. Should the associate subsequently report profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. The Group's Income Statement reflects the share of the associate's results after tax. Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(f) Joint ventures

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 jointly controlled assets, 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 the 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.

(g) Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions 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, estimates and assumptions 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 Groups Intangible exploration and evaluation assets are disclosed in note 11.

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 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 and production and reserves, discussed further below.

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 gas and oil property, plant and equipment as well as being a significant estimate affecting decommissioning provisions and impairment calculations. 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 proven and probable reserves, forecast price levels and technology at the balance sheet date. Provision is made for the estimated cost at the balance sheet date, using discounted cash flow methodology and a risk free rate of return.

Consolidated financial statements – notes continued

1 Accounting policies continued

Business combinations

When the Group acquires a business, it assesses the fair value of the assets 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 discounted cash flow models to reflect the revenues and expenditures related to the extraction of those reserves. 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.

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. This can have a significant impact on the consolidated results of the Group based on the foreign currency translation methods used.

(h) 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

(i) 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, 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 an 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.

(j) 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.

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:

- Exploration and evaluation assets are carried at cost less any impairment and are not depreciated or amortised.
- 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, materials and consumables, equipment costs and payments made to contractors.
- 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.
- 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.
- 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.

1 Accounting policies continued

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:

- 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 whenever events or changes in circumstances indicate 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.
- 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 relies on fair value less cost to sell assessed either by reference to comparable market transactions between a willing buyer and a willing seller or on the same basis as used by willing buyers and sellers in the oil and gas industry. When assessing value in use, 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 or 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 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.

(k) 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.

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

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 has entered into swaps to manage its exposure to variability in the price and foreign exchange rate of a proportion of its newly acquired crude oil production for the next six years and its exposure to interest rates in respect of a proportion of its debt.

All derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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.

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.

(l) 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.

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.

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.

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 profit or loss in the period in which they are incurred.

(m) 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 on a straight line basis over the period of the lease.

Finance leases

Assets under finance leases are included under 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.

(n) 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.

1 Accounting policies continued

(o) Taxation

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

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. Taxable (loss)/profit differs from the (loss)/profit 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. 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 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.

(p) 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 immediately before and 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.

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.

(q) 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.

(r) 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.

Consolidated financial statements – notes continued

1 Accounting policies continued

(s) 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 the 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 segment and assess its 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 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. £21.9 million of the Group's revenue was derived from two customers (2010: £0.6 million).

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

3 Operating loss

	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Operating loss is stated after charging:		
Staff Costs (see note 4)	**3,956**	1,123
Depletion and Depreciation	**3,354**	9
Impairment of intangible assets	**42**	–
Auditor's remuneration:		
Audit of the financial statements	**169**	57
Other fees paid to Ernst & Young LLP – Audits of subsidiaries	**80**	10
Other fees paid to Ernst & Young LLP – Services relating to taxation	**96**	–
Other fees paid to Ernst & Young LLP – Services relating to corporate finance transactions	**400**	–
Operating lease charges:		
Land and buildings	**522**	–
Other	**51**	–

4 Employee information

	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Staff costs comprised:		
Wages and salaries	**3,676**	923
Social Security Costs	**556**	137
Company contribution to pension scheme	**260**	–
Employee share-based payment cost under IFRS 2	**167**	63
	4,659	1,123

	No.	No.
Average number of employees in the period:		
Operations, including services	**34**	4
Administrative	**14**	2
	48	6

At 31 March 2012 the Group had 152 employees. In the 15 months to 31 March 2012 £703 thousand (2010: £39 thousand) of the Group's remuneration costs has been capitalised in accordance with the Group's accounting policy.

5 Directors' emoluments

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

Executive Directors	Current annual salary/fees £000	15 months ended 31 March 2012 Salary/Fees £000	Bonus £000	Taxable Benefits £000	Pensions £000	Total £000	Year ended 31 December 2010 Total £000
F Gugen – Executive Chairman (to 19 October 2010)	–	–	–	–	–	–	83
A Austin – Chief Executive Officer	260	325	86	4	49	464	353
B Cheshire – Executive Technical Director (resigned 20 June 2011)	–	50	–	–	–	50	125
S Bowler – CFO (Appointed 01 November 2011)	200	83	15	–	13	111	–
J Blaymires – COO (Appointed 19 October 2010)	200	250	33	4	37	324	39
Total – Executive Directors	660	708	134	8	99	949	600

Non-Executive Directors	Current annual salary/fees £000	Emoluments £000	Other Consultancy Services £000	Taxable Benefits £000	Pensions £000	Total £000	Total £000
F Gugen – Non-Executive Chairman (from 19 October 2010)	80	100*	–	–	–	100	17
J Bryant – Senior Independent	45	56*	35**	–	–	91	35
R Armstrong	35	44	35**	–	–	79	35
J Hamilton	35	64*	–	–	–	64	35
Total – Non-Executive Directors	195	264	70	–	–	334	122

* Part of these emoluments are paid to companies that provide the services
** Payments were made as a consequence of the acquisition of Nexen Exploration UK Limited

Directors' share schemes/warrants

At 31 March 2012 the Executive Directors held the following awards under the Long Term Incentive Plans and the Share Option scheme as follows:

Long Term Incentive Plans

	15 months ended 31 March 2012 Number	Exercise price (p/share)	31 December 2010 Number	Exercise price (p/share)
A Austin	1,029,702	–	700,000	–
J Blaymires	681,743	–	375,000	–
S Bowler	396,040	–	–	–

Share Option Plan

	15 months ended 31 March 2012 Number	Exercise price (p/share)	31 December 2010 Number	Exercise price (p/share)
J Blaymires	–	–	910,930	70

Consolidated financial statements – notes continued

6 Finance income and costs

	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Finance income:		
Interest on short-term deposits	**373**	170
Gain on fair value of warrants	**1,651**	–
Foreign exchange gains	**350**	
Finance income recognised in income statement	**2,374**	170
Finance expense:		
Finance lease charges	**1**	–
Interest on bank loan	**3,165**	–
Interest expense	**3,166**	–
Loss on interest rate swaps	**632**	–
Foreign exchange loss	**94**	–
Unwinding of discount on provisions	**197**	–
Finance expense recognised in income statement	**4,089**	–

7 Tax credit on loss on ordinary activities

	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
UK corporation tax:		
Current tax on income for the period	**–**	–
Adjustments in respect of prior periods	**–**	–
Total current tax charge/(credit)	**–**	–
Deferred tax:		
Current year (credit)	**(5,773)**	–
Charge/(credit) in relation to prior periods	**–**	–
Total deferred tax (credit)	**(5,773)**	–
Tax (credit) on profit or loss on ordinary activities	**(5,773)**	–

Factors affecting the tax charge or (credit)

The tax assessed for the year does not reflect a credit equivalent to the loss on ordinary activities multiplied by the rate of corporation tax and supplementary charge for ring-fenced businesses in the United Kingdom of 62% (2010: 21%). A reconciliation of the UK statutory corporation tax rate applicable to the Group's loss before tax to the Group's total tax credit is as follows:

	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
(Loss) on ordinary activities before tax	**(17,897)**	(1,543)
Expected tax (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% (2010: 21%)	**(11,096)**	(324)
Tax effect of expenses not allowable for tax purposes	**565**	6
Tax effect of expenses not allowable for supplementary charge purposes	**135**	–
Impact of profits or losses tax at different rates	**2,364**	–
Net increase in unrecognised losses carried forward	**2,259**	318
Tax (credit) on loss on ordinary activities	**(5,773)**	–

Following the acquisition of Star, the majority of the Group's profits are now generated by "ring-fenced" businesses which attract UK corporation tax and supplementary charge at a combined rate of 62%, rather than the small companies rate of 21% borne by the Group in the previous year.

7 Tax credit on loss on ordinary activities continued

Tax losses

Deferred tax losses have been recognised in respect of tax losses and other temporary differences where directors believe it is probable that these assets will be recovered, giving rise to deferred tax assets. Such tax losses include £31.6 million of ring-fenced corporation tax losses and £29.0 million of supplementary charge losses.

The Group has further tax losses and other similar attributes carried forward of approximately £53 million (2010: 6.2 million) on which no deferred tax 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.

The movement on the deferred tax liability is shown below:

	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Opening liability at beginning of period	**Nil**	
Tax charge/(credit) during the period recognised in profit and loss	**(5,773)**	–
Tax charge/(credit) during the period recognised in OCI	**–**	–
Deferred tax liability arising from business combinations	**29,004**	–
Closing liability at end of period	**23,231**	–

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

	31 March 2012 £000	31 December 2010 £000
Accelerated capital allowances	**59,285**	–
Tax losses carried forward	**(18,031)**	–
Decommissioning provision	**(7,962)**	–
Unrealised gains or losses on derivative contracts	**(10,147)**	
Share-based payments	**(40)**	–
Other	**126**	–
Deferred tax liabilities	**23,231**	–

In addition to the increase in the rate of supplementary charge the Government announced in the 2011 budget its intention to restrict the rate of relief on decommissioning expenditure for supplementary charge purposes to 20%. Draft legislation in respect of this restriction was published on 6 December 2011 and the change is expected to be enacted in Finance Bill 2012. The restriction in supplementary charge relief is therefore not substantively enacted at the balance sheet date and as such, the company has accounted for deferred tax on its decommissioning balances at 62%. Assuming the deferred tax relating to the decommissioning balances was provided at 50%, the deferred tax liability balance at 31 March 2012 would be lower by £0.6 million.

8 Earnings per share (EPS)

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

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 period 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 EPS amounts are calculated by dividing the loss for the period, after adjusting for one-off costs relating to acquisitions and "mark to market" valuation adjustments 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 period.

Diluted adjusted EPS amounts are calculated by dividing the loss for the period, after adjusting for one-off costs relating to acquisitions and "mark to market" valuation adjustments which do not reflect the trading of the Group, attributable to the ordinary equity holders of the parent by the diluted adjusted weighted average number of shares outstanding during the period.

Consolidated financial statements – notes continued

8 Earnings per share (EPS) continued

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

	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Basic EPS – Ordinary Shares of 50p each (Pence)	**(8.14p)**	(1.69p)
Diluted EPS – Ordinary Shares of 50p each (Pence)	**(8.14p)**	(1.69p)
Adjusted EPS – Ordinary Shares of 50p each (Pence)	**5.6p**	(1.69p)
Adjusted Diluted EPS – Ordinary Shares of 50p each (Pence)	**5.4p**	–
(Loss) for the year attributable to equity holders of the parent – £000	**(12,124)**	(1,543)
Add back: Loss on oil price swaps	**18,512**	–
Loss on interest rate swaps	**632**	–
Acquisition costs	**2,986**	–
Gain on revaluation of warrants	**(1,651)**	–
Adjusted profit/(loss) for the year	**8,355**	(1,543)
Weighted average number of Ordinary Shares in the year – basic EPS, diluted basic EPS and adjusted EPS	**148,947,106**	91,070,160
Weighted average number of Ordinary Shares in the year – diluted adjusted EPS	**154,760,053**	91,070,160

There are 23,855,505 potentially dilutive warrants and options over the Ordinary Shares at 31 March 2012 (31 December 2010: 2,447,304), which are not included in the calculation of diluted basic earnings per share and diluted adjusted earnings per share in 2010 because they were anti-dilutive for the year as their conversion to Ordinary Shares would decrease the loss per share.

9 Acquisitions

Acquisition of Nexen Exploration UK Limited

On 9 March 2011, the Company acquired the entire issued share capital of Nexen Exploration UK Limited (renamed IGas Exploration UK Limited) for consideration of £29.2 million. 39,714,290 new ordinary shares of 50p were allotted to Nexen Petroleum U.K. Limited at the market price of 73.50p per share credited as fully paid in consideration for the company. The acquisition was made in pursuance of the Group's strategy to secure operatorship and 100% ownership of all its assets.

The Group has reviewed the nature and substance of the transaction, and determined that the acquisition of Nexen Exploration UK Limited constituted an asset purchase, as the acquisition does not meet the definition of a business under IFRS 3. The transaction has therefore been accounted for as an acquisition of a collection of assets and liabilities under the standards governing each type of asset and liability. As such, because this is not an acquisition as defined in IFRS 3, no goodwill arises. The effect of the acquisition has had no effect on reported revenue.

The purchase consideration of £29.5 million (including expenses) has been allocated against the identifiable assets and liabilities on the basis of their final fair values at the date of purchase:

	£000
Assets	
Intangible exploration and evaluation assets	29,710
Trade and other receivables	38
Liabilities	
Trade and other payables	(127)
Decommissioning	(143)

The gross amount of trade and other receivables acquired was £38 thousand, which was also their fair value. None of the trade and other receivables have been impaired and it is expected that the full contractual amount can be collected.

Cash transaction costs of the Nexen Exploration asset acquisition, included in cash flows from investing activities, amounted to an outflow of £288 thousand.

9 Acquisitions continued

Acquisition of Star Energy Group Limited

On 14 December 2011, the Group acquired the entire issued share capital of Star Energy Group Limited ("Star"), an unlisted oil and gas exploration and production company for a cash consideration of £110 million. The acquisition of Star added a portfolio of 25 UK onshore licences, occupying or owning 105 sites with an inventory of 247 wells (of which 85 are currently still in operation), a number of development and exploration opportunities and an experienced execution team.

The Group funded the acquisition by way of a $135 million debt facility from Macquarie Bank Limited; cash generated by Star and held in escrow prior to closing and IGas' existing cash resources.

The Star acquisition has been accounted for as a business combination by the acquisition method of accounting with an effective date of 14 December 2011, being the date the Group gained control of Star Group. The fair value allocation to Star's assets and liabilities is provisional due to the complexity of the acquisition and due to the inherently uncertain nature of the oil and gas sector, in particular, in valuing intangible exploration and evaluation assets and oil and gas properties, the underlying value of freehold land on which oil wells and related processing equipment are currently situated, as well as an associate. The review of the fair value of the identifiable assets and liabilities acquired will be completed within 12 months of the acquisition, at the latest.

Assets acquired and liabilities assumed

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

	Provisional fair value £000
Assets	
Intangible exploration and evaluation assets (Note 11)	3,775
Property, plant and equipment (Note 12)	108,739
Investment in associate	–
Cash and cash equivalents	30,707
Trade and other receivables	6,809
Inventories	1,368
	151,398
Liabilities	
Trade and other payables	(9,685)
Current tax liabilities	(5,934)
Deferred tax liabilities	(29,004)
Provisions (Note 20)	(12,324)
	(56,947)
Total identifiable net assets at fair value	94,451
Purchase consideration transferred*	110,050
Goodwill	15,599

* Total consideration was financed by $135 million (£84.5 million) facility with Macquarie Bank Limited and £25.5 million of cash generated by Star prior to closing that was held in escrow until the transaction date and existing IGas cash resources.

The fair value of contractual receivables amounts to £6.9 million. The gross value of the contractual receivables amounts to £7.5 million, with £0.6 million not expected to be received.

Transaction costs in respect of the Star acquisition of £3.0 million have been recognised in the Income Statement, including 1,881,188 ordinary 50p shares for £950 thousand, representing the fair value of services provided.

From the date of acquisition, Star has contributed £22.1 million of revenue and £10.2 million towards the reduction of net loss before tax of the Group, excluding losses on derivative transactions of £18.5 million that were novated by IGas to Star post-acquisition. If the combination had taken place at 1 April 2011, revenue from continuing operations for the year would have been £69.0 million and the operating profit before tax, acquisition costs and losses from derivative transactions for the Group would have been £29.8 million.

The goodwill of £15.6 million is discussed further in note 10.

Consolidated financial statements – notes continued

9 Acquisitions continued

Analysis of cash flows on acquisition

	£000
Consideration paid for Star (included in cash flows from investing activities)	(110,050)
Cash transaction costs of the Star acquisition (included in cash flows from operating activities)	(2,036)
Net cash acquired with Star (included in cash flows from investing activities)	30,707
Net cash flow on acquisition of Star	(81,617)

Certain transactions were entered into by the Group either in the months preceding or immediately after the completion of the acquisition of Star. These transactions are summarised as follows:

On 16 September 2011 the Group and Petronas Energy Trading Limited ("Petronas Energy") entered into a gas sales and marketing deed in which the Group will sell up to 150 bcf of gas to Petronas Energy and provide additional services. The price is set according to a formula linked to day ahead prices published by European Spot Gas Markets. Petronas has the exclusive right to purchase and market all commercial quantities of gas produced from the resource base, or properly nominated or delivered at the delivery points, until the quantity referred to has been delivered.

On 14 December 2011 the Group's subsidiary Star Energy Weald Basin Limited ("SEW") entered into a services agreement with Star Energy HG Gas Storage Limited ("Star Energy HG") (the "Star Energy HG Services Agreement") whereby SEW will provide certain operational and management services in respect of certain gas storage businesses retained by Petronas. Under the Star Energy HG Services Agreement, Star Energy HG will pay fees on a monthly basis related to personnel costs computed on a pro rata basis by reference to those incurred in the 12 month period prior to completion of the Acquisition plus 18% (subject to annual review).

On 14 December 2011 SEW and Star Energy HG entered into a services agreement ("the SEW Services Agreement") whereby Star Energy HG will provide control room access to certain personnel in connection with the monitoring, operating and managing of certain oil fields transferred to Petronas prior to the Acquisition and/or certain office facilities to assist in carrying out those activities. SEW will pay £10,000 monthly in arrears for the term of the SEW Services Agreement. The term of the SEW Services Agreement is six months unless otherwise agreed between the parties.

On 14 December 2011 Star Energy HG Gas Storage Limited ("HGGSL") and SEW entered into an oil sale and purchase agreement. Under this agreement SEW agreed to transfer its interests in a retained licence (licence number P116) and related assets to HGGSL and in return has agreed to purchase oil from HGGSL. The oil is in relation to production from the Humbly Grove and the Herriard fields. SEW will also arrange for the transportation of the oil. HGGSL warrants on an indemnity basis that the oil made available for delivery and sale is in accordance with the specification. Indicative volumes are to be agreed not less than one month before each following calendar year and provisions for detailing the quantity are provided for in the agreement. The agreement remains in force until the retained licence expires or, if earlier, then HGGSL serving 12 months' written notice on SEW. Payment due is in US dollars and is set by a formula linked to the price per barrel of oil.

10 Goodwill

	31 March 2012	31 December 2010
Goodwill	**15,599**	–

Goodwill of £15.6 million was all generated in the period, as described in note 9 above.

Goodwill all relates to the acquisition of Star 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 group with central and local government in Great Britain; and
4) the considerable potential for discovery of additional reserves of both conventional and unconventional resources in Star's licence areas.

Impairment testing of goodwill

Goodwill from the acquisition of Star remains provisional, therefore management are not able to allocate it reliably to specific CGUs. There were no indicators of impairment during the period to 31 March 2012, therefore this goodwill has not yet been subject to impairment testing.

11 Intangible exploration and evaluation assets

	Exploration and evaluation £000
Cost	
At 1 January 2010	1,334
Additions	3,310
At 31 December 2010	4,644
Additions	19,150
Acquisitions (Note 10)	33,485
At 31 March 2012	**57,279**
Amortisation	
At 1 January 2010	–
Charge for the year	–
At 31 December 2010	–
Charge for the year	–
Impairment	42
At 31 March 2012	**42**
Net book amount	
At 31 December 2010	4,644
At 31 March 2012	**57,237**

Under certain agreements which the Group had in place with Nexen Exploration U.K. Limited ("Nexen" and the "Nexen Carry Agreements") as at 31 December 2010, Nexen provided 100% of the funding required for work programmes up to a gross spend of £26.5 million. On 9 March 2011, the Group completed the acquisition of Nexen, thereby transferring the carried balance within the Group.

On 5 August 2009 and 11 December 2009 the Group entered into farm-up agreements with Nexen (the "Farm-up Agreements"), under which the Group had agreed to meet 100% of certain costs incurred in relation to certain licences, thereby discharging what, but for these agreements, would have been Nexen's share of such licence costs. The acquisition of Nexen Exploration UK Limited transferred these agreements within the Group.

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.

During the year an impairment charge amounting to £42 thousand was made relating to expenditure on a site where no future exploration is planned.

Consolidated financial statements – notes continued

12 Property, plant and equipment

	Equipment Used for Exploration and Evaluation £000	Freehold land £000	Buildings/ leasehold property improvements £000	Oil and gas properties £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost							
At 1 January 2010	–	–	–	–	–	–	–
Additions	179	–	–	–	21	20	220
At 31 December 2010	179	–	–	–	21	20	220
Additions	–	–	–	592	72	8	672
Disposals	–	–	–	–	(19)	(8)	(27)
Acquisitions	–	2,126	539	104,275	593	1,206	108,739
At 31 March 2012	**179**	**2,126**	**539**	**104,867**	**667**	**1,226**	**109,604**
Depreciation							
At 1 January 2010	–	–	–	–	–	–	–
Charge for the year	6	–	–	–	4	5	15
At 31 December 2010	6	–	–	–	4	5	15
Charge for the year	25	–	336	2,756	139	98	3,354
Disposals	–	–	–			(8)	(8)
At 31 March 2012	**31**	**–**	**336**	**2,756**	**143**	**95**	**3,361**
Net book amount							
At 31 December 2010	173	–	–	–	17	15	205
At 31 March 2012	**148**	**2,126**	**203**	**102,111**	**524**	**1,131**	**106,243**

Included in the total net book value of fixed assets is £210 thousand (2010: £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £12 thousand (2010: £nil).

Under the terms of the facility agreement, Macquarie Bank Limited has a fixed and floating charge over all these assets.

13 Investment in associate

Associate

Details of the Groups associate as at 31 March 2012 are as follows:

Associate	Country of incorporation	Principal activity	Class and percentage of shares held
Larchford Limited	United Kingdom	Oil rig contractor	33% Ordinary shares of £1 each

Larchford (in which a 33% interest was acquired as part of the acquisition of Star) was already in significant financial difficulties at the time that the Group purchased Star, and the company went into liquidation on March 6, 2012. As a result, the Group has ceased to have any significant influence over the company and the investment has a nil value both on acquisition and at 31 March 2012. Receivables due from Larchford are included in note 15.

14 Inventories

	31 March 2012 £000	31 December 2010 £000
Oil Stock	**429**	–
Drilling materials	**42**	–
Maintenance materials	**245**	–
	716	–

15 Trade and other receivables

	31 March 2012 £000	31 December 2010 £000
VAT recoverable	**1,454**	375
Trade debtors	**8,656**	61
Accrued income	**–**	73
Other debtors	**220**	–
Amount due from Larchford	**252**	–
Prepayments	**1,531**	80
	12,113	589

Of the Group's financial assets as stated above £878 thousand (2010: £61 thousand) were past due at the reporting date, and an impairment provision of £626 thousand has been provided against those amounts (2010: £nil). The ageing of the financial assets (trade debtors, other debtors and amounts due from associate) is as follows:

	31 March 2012 £000	31 December 2010 £000
Not yet due	**8,876**	–
Overdue by not more than three months	**–**	61
More than three months but not more than six months	**–**	–
More than six months but not more than one year	**252**	–
	9,128	61

16 Cash and cash equivalents

	31 March 2012 £000	31 December 2010 £000
Cash at bank and in hand	**7,915**	12,087
	7,915	12,087

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.

17 Current liabilities

	31 March 2012 £000	31 December 2010 £000
Trade and other payables:		
Trade creditors	**3,509**	240
Employment related taxation	**717**	42
Accruals and other creditors	**6,254**	515
	10,480	797

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 (2010: all within one month).

18 Borrowings

	31 March 2012			31 December 2010		
	Within 1 year £000	**Greater than 1 year £000**	**Total £000**	Within 1 year £000	Greater than 1 year £000	Total £000
Facility A*	**16,475**	**32,818**	**49,293**	–	–	–
Facility B*	**–**	**25,659**	**25,659**	–	–	–
	16,475	**58,477**	**74,952**	–	–	–

* Transaction costs of raising debt of £7.6 million have been netted off against the liability

Consolidated financial statements – notes continued

18 Borrowings continued

On 21 November 2011 the Company and Macquarie entered into a senior secured facility agreement (the "Credit Agreement"). The Credit Agreement consists of three separate facilities:

(i) $90,000,000 5 year senior secured term loan, carrying interest at 5.5% over LIBOR and a 2% commitment fee;
(ii) $45,000,000 5 year senior secured term loan, carrying interest at 12% above LIBOR and a commitment fee of 3.5%; and
(iii) Up to $ 15,000,000 uncommitted working capital facility, which may be made available at the discretion of Macquarie (remained undrawn at 31 March 2012).

The Credit Agreement contains certain representations, warranties and covenants customary for a credit facility 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 Credit Agreement also contains customary events of default, the occurrence of which allow Macquarie (and any other lender that accedes to the Credit Agreement) to accelerate outstanding loans and terminate the commitments. The facilities are required to be repaid in full on the date that is 60 months following the completion of the Acquisition of Star Energy Group Limited, or on a change of control and the sale of the assets of the Group.

The Group's financing under the Credit Agreement is denominated in US dollars.

19 Other liabilities

	15 months ending 31 March 2012 £000
At 1 January 2011	–
Warrants issued during period	4,457
Revaluation	(1,651)
At 31 March 2012	**2,806**

Warrants issued to Macquarie Bank under the Facilities Agreement can be exercised in four 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 IAS39 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 1.04% and the same implied volatility at year end. It was also assumed that no dividends would be paid during the life of the warrants.

Movement during the period was as follows:

	No	Weighted average exercise price (pence)
At 1 January 2011	–	–
Granted in Period	21,286,646	55.8
Lapsed in Period	–	–
Outstanding at 31 March 2012	**21,286,646**	**55.8**
Exercisable at 31 March 2012	**21,286,646**	**55.8**

The weighted average remaining contractual life for the warrants outstanding as at 31 March 2012 is 5.75 years.

20 Provisions for liabilities and charges

	31 March 2012			31 December 2010		
	Decommissioning £000	Other £000	Total £000	Decommissioning £000	Other £000	Total £000
At the beginning of the period	–	–	–	–	–	–
New provisions	445	–	445	–	–	–
Acquisition of a subsidiary	12,307	160	12,467	–	–	–
Unwinding of discount	197		197	–	–	–
Utilisation/write back of provision	43	(60)	(17)	–	–	–
At the end of the period	12,992	100	13,092	–	–	–

Provision has been made for the discounted future cost of restoring producing fields to a condition acceptable to the relevant authorities. The abandonment of the fields is expected to happen at various times between one to 35 years from the period end.

21 Pension Scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the period ended 31 March 2012 represents contributions payable by the Group to pension funds and amounted to £260,000 (2010: £712,000).

Contributions amounting to £84,000 (2011: £55,000) were accrued at 31 March 2012 and are included in creditors.

22 Commitments

The Group's capital and lease commitments comprised:

	31 March 2012 £000	31 December 2010 £000
Capital Commitment:		
Obligation under 13th licensing round	2,000	1,000
Decommissioning	–	26
Less: Amounts covered by Nexen Carry Agreements	–	(141)
	–	885
Obligation under the 11 December 2009 farm-up agreement with Nexen	–	2,036
Total capital commitments	2,000	2,921

The Nexen Carry Agreements and the farm-up agreements are as further described in note 11, including the up to £2 million provided for by the first farm-up agreement, which was not a firm commitment. On 9 March 2011, the Group completed the acquisition of Nexen, thereby transferring the carried balance within the Group.

The Group used finance leases to acquire property, plant and equipment with a net book value of £210,000 (2010: £nil). These leases have terms of renewal but no purchase options or escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments under finance leases are set out below:

	31 March 2012 £000	31 December 2010 £000
Future minimum lease payments payable within:		
1 year	52	–
1–2 years	–	–
2–3 years	–	–
	52	–
Less finance charge	1	–
Net obligations	51	–
Of which – payable within 1 year	51	–
– payable within 1 to 2 years	–	–
– payable within 2 to 3 years	–	–
	51	–

Security is given for net obligations under finance leases falling due within one year and after more than one year with a fixed charge over the relevant assets of the Group relative to the amount outstanding.

Consolidated financial statements – notes continued

22 Commitments continued

Operating lease commitments

	31 March 2012 £000	31 December 2010 £000
Minimum lease payments under operating leases recognised in profit for the year	**573**	63
At the balance sheet date the Group had minimum lease payments under non-cancellable operating lease for each of the following years		
– expiring within 1 year	**307**	45
– expiring within 1 to 5 years	**520**	–
Total	**827**	45

23 Financial instruments and risk management

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the financial instruments that are carried in the consolidated balance sheet.

	Carrying amount		Fair value	
	31 March 2012 £000	31 December 2010 £000	31 March 2012 £000	31 December 2010 £000
Financial assets				
Loans and receivables				
Cash and cash equivalents[1]	**7,915**	12,087	**7,915**	12,087
Trade and other receivables[1]	**9,128**	61	**9,128**	61
Financial liabilities				
Amortised cost				
Finance lease[2]	**51**	–	**51**	–
Borrowings (floating rate)[2]	**74,952**	–	**82,296**	–
Trade and other payables[1]	**3,509**	240	**3,509**	240
Fair value through profit and loss				
Commodity price swaps[3,4]	**16,161**	–	**16,161**	–
Interest rate swaps[3]	**532**	–	**532**	–
Warrants[5]	**2,806**	–	**2,806**	–

1 The carrying values of cash and cash equivalents, short-term receivables and payables are assumed to approximate their fair values where discounting is not material.
2 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.
3 The fair value of commodity price swaps and interest rate swaps are determined using discounted cash flow analysis at quoted interest rates.
4 Some 55% of the commodity price swaps include an embedded foreign currency forward which has not been accounted for or valued separately.
5 The fair value of warrants is estimated using a Black-Scholes valuation model.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:
- 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.

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2012				
Commodity price swaps	–	**16,161**	–	**16,161**
Interest rate swaps	–	**532**	–	**532**
Warrants	–	**2,806**	–	**2,806**
Total	–	**19,499**	–	**19,499**
At 31 December 2010				
Commodity price swaps	–	–	–	–
Interest rate swaps	–	–	–	–
Warrants	–	–	–	–
Total	–	–	–	–

23 Financial instruments and risk management continued

Derivative financial instruments

The Group enters into certain swap contracts in order to manage its exposure to commodity price risk and foreign exchange risk associated with sales of oil in US dollars and interest rate risk associated with debt service costs.

The outstanding contracts as at 31 March 2012 are as follows:

	Term	Contract amount	Contract price/rate	Average Fixed Price/Rate	Fair value at 31 March 2012 £000
US dollar commodity price swaps	2012–2017	908 Mbbls oil	$90-$96/bbl	$92.94/bbl	**7,340**
Pound sterling commodity price swaps	2012–2017	1,001 Mbbls oil	£56.70-£60.75/bbl	£59.08/bbl	**8,821**
Interest rate swaps	2012–2016	$67.5m declining to $22.8m	0.91%-1.36%	1.15%	**532**

The group's commodity price swaps mature over the period from 1 January 2012 to 31 December 2017 on contracted volumes that decline in line with the Senergy 2P production profile. During the period to 31 March 2012 oil hedges for 146 thousand barrels matured generating a net cost of £2.3 million (2010: £nil).

The group's interest rate swaps mature over the period from 14 December 2011 to 13 December 2016 with a profile linked to the expected repayment of principal on the Macquarie Facilities.

As no derivative instrument has been designated for hedge accounting, all gains and losses are recognised immediately in the income statement.

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. 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, 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 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 prices, such as commodity price risk, interest rate risk and foreign currency risk.

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 2012 and 31 December 2010; 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 (commodity price swaps) to keep between 60% and 75% of its production over the next six years on fixed price.

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.

Consolidated financial statements – notes continued

23 Financial instruments and risk management continued

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

	Increase/(decrease) in profit before tax for the period ended and to equity as at	
	31 March 2012 £000	31 December 2010 £000
10% increase in the price of oil	**(12,300)**	–
10% decrease in the price of oil	**12,300**	–

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's policy is to manage its interest cost using derivative financial instruments (interest rate swaps). The Group's policy is to keep approximately half 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 derivative financial instruments interest rate swaps. The impact on equity is the same as the impact on profit before tax as these derivative financial instruments (interest rate swaps) have not been designated as hedges and are classified as held-for-trading.

The analysis is based on the assumption that US-dollar LIBOR moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in profit before tax for the period ended and to equity as at	
	31 March 2012 £000	31 December 2010 £000
50 basis point increase in LIBOR	**800**	–
50 basis point decrease in LIBOR	**(800)**	–

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 price swaps) which fix the price of oil in pounds sterling. The commodity price swaps denominated in sterling account for 55% of the total production covered by commodity price swaps (the remainder are denominated in US dollars), fixing the exchange rate.

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 period ended and to equity as at	
	31 March 2012 £000	31 December 2010 £000
10% strengthening of the pound against the US dollar	**14,666**	–
10% weakening of the pound against the US dollar	**(14,666)**	–

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.

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 2012, the Group had 2 customers (31 December 2010: one) that owed the Group more than £2.5 million each and accounted for approximately 95% (31 December 2010: 0%) of all receivables owing. The need for impairment is analysed at each reporting date on an individual basis for major clients.

23 Financial instruments and risk management continued

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, 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.

Refer to note 15 for analysis of trade receivables ageing.

Liquidity risk

The Group 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 Group's financial liabilities at 31 March 2012 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 2012						
Borrowings	–	**16,475**	**15,584**	**15,021**	**34,313**	**81,393**
Trade and other payables	–	**3,509**	–	–	–	**3,509**
Warrants	–	**2,806**	–	–	–	**2,806**
Derivative financial instruments						
Commodity price swaps	–	**8,694**	**5,290**	**2,488**	**1,424**	**17,896**
Interest rate swaps	–	**434**	**261**	**69**	**(241)**	**523**
	–	**31,918**	**21,135**	**17,578**	**35,496**	**106,127**
At 31 December 2011						
Trade and other payables		240				240
	–	240	–	–	–	240

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 (2010: funding requirements through 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 senior debt facility.

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. 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 IGL 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	
	No.	£000 Nominal value
Issued and fully paid		
1 January 2010, Ordinary Shares of 50p each	**91,012,975**	**45,507**
23 April 2010 shares issued at a price of 55p each	82,500	41
26 October 2010 shares issued at a price of 64.5p each	2,013,956	1,007
31 December 2010, Ordinary Shares of 50p each	**93,109,431**	**46,555**
09 March 2011 Shares issued at a price of 73.50p each	39,714,290	19,857
10 March 2011 Shares issued at a price of 75p each	27,500,000	13,750
14 December 2011 Shares issued at a price of 50.5p each	1,881,188	941
31 March 2012, Ordinary Shares of 50p each	**162,204,909**	**81,103**

Consolidated financial statements – notes continued

24 Share capital continued

Accordingly, share capital and the share capital account comprised:

	£000
Share capital account	
At 1 January 2010	**18,617**
Shares issued during the year	**1,048**
At 31 December 2010	**19,665**
Shares issued during the period	**34,548**
At 31 March 2012	**54,213**

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 Group.

25 Share Premium Account

Share premium account – 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 period the Company issued 39,714,290 Ordinary 50p shares at a price of 73.50p each, 27,500,000 Ordinary 50p shares at a price of 75p each and 1,881,188 Ordinary 50p shares at a price of 50.5p each (2010: 82,500 and 2,013,956 Ordinary 50p Shares at a price of 55p and 64.5p each). The cost of these issues was £0.7 million (2010: £nil). Together these events resulted in a net movement in the Share Premium reserve of £15.5 million (2010: £0.3 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 January 2010	131	–	–	131
Transfer to retained earnings/(accumulated deficit) account re warrants	(131)	–	–	(131)
Employee share plans – cost under IFRS 2	63	–	–	63
Treasury shares issued during the year	–	(1,299)	–	(1,299)
Balance 31 December 2010	63	(1,299)	–	(1,236)
Employee share plans – cost under IFRS 2	49	–	–	49
Capital contribution	–	–	47	47
Balance 31 March 2012	**112**	**(1,299)**	**47**	**(1,140)**

Warrant Reserve

Movement in the warrants during the period was as follows:

	No	Weighted average exercise price (pence)
At 1 January 2010	440,000	60
Exercised in Period	(82,500)	55
Lapsed in Period	(357,500)	60
Outstanding at 31 December 2010	**–**	**–**
Exercisable at 31 December 2010	**–**	**–**
Exercised in Period	–	–
Lapsed in Period	–	–
Outstanding at 31 March 2012	**–**	**–**
Exercisable at 31 March 2012	**–**	**–**

26 Other reserves continued

Employee share plans – Equity settled

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

	LTIP		2011 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 January 2010		–	–	–	–	–
Granted during the Period	1,125,000	–	–	–	1,322,204	70
Forfeited during the Period	–	–	–	–	–	–
Exercised during the Period	–	–	–	–	–	–
Outstanding at 31 December 2010	**1,125,000**	**–**	**–**	**–**	**1,322,204**	**70**
Exercisable at 31 December 2010		**–**	**–**	**–**	**–**	**–**
Granted during the Period	–	–	2,107,485	–	–	–
Cancelled during the Period	(1,075,000)	–	–	–	(910,930)	70
Exercised during the Period	–	–	–	–	–	–
Outstanding at 31 March 2012	**50,000**	**–**	**2,107,485**	**–**	**411,274**	**70**
Exercisable at 31 March 2012	**–**	**–**	**–**	**–**	**–**	

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. The LTIPs outstanding at 31 March 2012 had both a weighted average remaining contractual life and maximum term remaining of 8.5 years.

The total charge for the year was £52 thousand. Of this amount, £2 thousand was capitalised and £50 thousand 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.

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 period. The LTIPs outstanding at 31 March 2012 had both a weighted average remaining contractual life and maximum term remaining of 9.5 years.

The total charge for the year was £58 thousand. Of this amount, £14 thousand was capitalised and £44 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.

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 can 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. The unvested Options outstanding at 31 March 2012 had both a weighted average remaining contractual life and maximum remaining term of 8.5 years.

Consolidated financial statements – notes continued

26 Other reserves continued

The total charge for the year was £90 thousand. Of this amount, £17 thousand was capitalised and £89 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:

	LTIP	2011 LTIP	Share Option Plan
Weighted average share price	64.5p	50.5p	64.5p
Weighted average exercise price	Nil	Nil	70p
Expected volatility	35%	35%	35%
Expected life	6.5 years	6.5 years	5–6.5 years
Risk-free rate	1.09%	0.701%	1.09%
Expected dividends	0%	0%	0%
Weighted average fair value of awards granted in 2011	n/a	23.12p	n/a
Weighted average fair value of awards granted in 2010	6p	n/a	12p

Treasury shares

The Treasury shares of the Group 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 not net effect on shareholders' funds. During the 15 months to 31 March 2012 no shares were issued to the Employee Benefit Trust (2010: 2,013,956).

Capital contribution

The capital contribution of £47 thousand was received in cash following the acquisition of Nexen Exploration UK Ltd.

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 fifteen months ended 31 March 2012.

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 is related by virtue of having a 24.77% share in the Group as a result of the Company's acquisition of Nexen Exploration UK Limited. Pursuant to the terms of the Secondment Agreement dated 10 March 2011 entered into by the Company, Nexen Petroleum UK Limited provided various services in relation to the Group's operations. For the fifteen months ended 31 March 2012, the services provided to the Group amounted to £264 thousand of which £nil thousand remained outstanding (2010: there were no such related party trading transactions).

Larchford is related by virtue of the Group's 33% interest in the company. There were no transactions with Larchford during the period, but the Group is owed £878,000 under a loan agreement between Larchford and Star Energy Limited.

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:

	15 months ended March 2012 £000	31 December 2010 £000
Short-term employee benefits	**1,425**	854
Share plan	**199**	22
	1,624	876

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 transactions with the Directors of the Group are disclosed in note 5.

There are no other related party transactions.

28 Subsequent events

There have been no events after the reporting period that require adjustment or disclosure in accordance with IAS10: "Events after the Reporting Period".

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 Group 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 Group 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 fifteen months ended 31 March 2012 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 16. 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' Responsibilities Statement, 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. 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 2012;
- 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 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 15 months ended 31 March 2012.

Daniel Trotman
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 June 2012

Parent Company statement of comprehensive income
For the 15 months ended 31 March 2012

	15 months ended March 2012 £000	Year ended 31 December 2010 £000
Loss for the year	**(8,506)**	(1,401)
Other comprehensive income for the year	**–**	–
Total comprehensive loss for the year	**(8,506)**	(1,401)

Parent Company balance sheet
As at 31 March 2012

	Notes	31 March 2012 £000	31 December 2010 £000
Non-current assets			
Investments in subsidiaries	2	**190,154**	50,555
Property, plant and equipment	3	**72**	32
Loans to subsidiaries	4	**–**	5,013
		190,226	55,600
Current assets			
Trade and other receivables	4	**22,795**	289
Cash and cash equivalents	5	**3,452**	11,772
		26,247	12,061
Current liabilities			
Trade and other payables	6	**(29,205)**	(530)
Borrowings	8	**(16,475)**	–
Other liabilities	9	**(2,806)**	–
Derivative financial instruments	11	**(413)**	–
		(48,899)	(530)
Net current (liabilities)/assets		**(22,652)**	11,531
Total assets less current liabilities		**167,574**	67,131
Non-current liabilities			
Borrowings	8	**(58,477)**	–
Derivative financial instruments	11	**(119)**	–
		(58,596)	–
Net assets		**108,978**	67,131
Capital and reserves			
Called up share capital	12	**81,102**	46,555
Share premium account	13	**21,928**	6,392
Merger Reserve	14	**22,222**	22,222
Other reserves	15	**(1,140)**	(1,236)
Retained earnings (accumulated deficit)		**(15,134)**	(6,802)
Shareholders' funds		**108,978**	67,131

These financial statements were approved and authorised for issue by the Board on 29 June 2012 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 15 months ended 31 March 2012

	Called up share capital (Note 12) £000	Merger reserve £000	Share premium account £000	Other reserves £000	Retained earnings (accumulated deficit) £000	Total £000
Balance at 1 January 2010	**45,507**	**22,222**	**6,095**	**131**	**(5,532)**	**68,423**
Changes in equity for 2010						
Loss for the year	–	–	–	–	(1,401)	(1,401)
Lapse of warrants	–	–	–	(131)	131	–
Employee share plans cost under IFRS (note 15)	–	–	–	63	–	63
Issue of Shares	1,048	–	297	(1,299)	–	46
Balance at 31 December 2010	**46,555**	**22,222**	**6,392**	**(1,236)**	**(6,802)**	**67,131**
Changes in equity for 2011						
Loss for the period	–	–	–	–	(8,506)	(8,506)
Capital contribution	–	–	–	47	–	47
Employee share plans cost under IFRS2 (note 15)	–	–	–	49	174	223
Issue of shares	34,547	–	15,536	–	–	50,083
Balance at 31 March 2012	**81,102**	**22,222**	**21,928**	**(1,140)**	**(15,134)**	**108,978**

Parent Company cash flow statement
For the 15 months ended 31 March 2012

	Notes	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Operating activities:			
Loss for the year		**(8,506)**	(1,401)
Depreciation, depletion and amortisation		**24**	9
Share-based payment charge		**1,103**	20
Gain on revaluation on warrants		**(1,651)**	–
Finance income		**(246)**	(170)
Finance costs		**3,796**	–
Increase in trade and other receivables		**(248)**	(86)
Increase in trade and other payables		**841**	418
Revaluation		**101**	–
Net cash used in operating activities		**(4,786)**	(1,210)
Investing activities			
Acquisition of property, plant and equipment		**(63)**	(41)
Acquisition of subsidiaries		**(110,338)**	–
Loans granted to subsidiaries		**(17,246)**	(4,678)
Interest received		**246**	170
Net cash used investing activities		**(127,401)**	(4,549)
Financing activities			
Cash proceeds from issue of Ordinary Share Capital net of issue costs	12	**19,944**	46
Capital contribution	15	**47**	–
Interest paid		**(2,095)**	–
Cash proceeds from loans and borrowings		**84,569**	
Loan issue costs		**(3,141)**	–
Repayment of loans and borrowings		**(3,100)**	
Loans from subsidiary		**27,834**	
Net cash from financing activities		**124,058**	46
Net (decrease)/increase in cash and cash equivalents in the year		**(8,129)**	(5,713)
Net foreign exchange difference		**(191)**	–
Cash and cash equivalents at the beginning of the period		**11,772**	17,485
Cash and cash equivalents at the end of the year	5	**3,452**	11,772

Parent Company financial statements – notes
As at 31 March 2012

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 in accordance with International Financial Reporting Standards , adopted for use by the European Union ("IFRSs") as they apply to the Company for the 15 months period ended 31 March 2012 and with the Companies Act 2006. The accounting period is not comparable with the prior year as this 15 month period represents a long period of account to align the year end with the newly acquired entity Star Energy Group Limited. The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2012. IGas Energy plc is a public limited company incorporated and registered in England and Wales.

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 period, the Company adopted the following new and amended IFRS which were applicable to the Company's activities as of 1 January 2011.

		Effective date
International Accounting Standards (IFRS/IAS)		
IAS 24	Amendment to IAS 24 – Related Party Disclosures – This amendment clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Company has considered the effect of this interpretation and has concluded that there is no impact on the financial statements	1 January 2011

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011.
- IAS 24 Related Party Disclosures
- IAS32 Financial Instruments: Presentation
- IFRIC 14 Prepayments of a Minimum Funding Requirement

These amendments have no impact from on its financial position or performance of the Company.

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 2012 or later periods but which the Group has not adopted early. Those that may be applicable to the Company in future are as follows:

		Effective date
International Accounting Standards (IFRS/IAS)		
IAS 1	Amendment to IAS 1 – Financial Statement Presentation – This amendment changes the grouping of items presented in the 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 will have no impact on the Company's financial position or performance.	1 July 2012
IFRS 9	IFRS 9 – Financial Instruments: Classification and Measurement – IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.	1 January 2015
IFRS 11	IFRS11 – Joint Arrangements – IFRS11 establishes principle of the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS31. It removes the option to jointly controlled entities (JCE) using proportionate consolidation.	1 January 2013
IFRS 12	IFRS12 – Disclosures of involvement with other entities- IFRS12 combines, enhances and replaces the disclosure requirement for subsidiaries, joint arrangements, associates and in consolidated structured entities.	1 January 2013

Parent Company financial statements – notes continued

1 Accounting policies continued

IFRS 13	IFRS 13 – Fair Value Measurement – IFRS13 defines fair value, set 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.	1 January 2013
IAS 28	IAS28 – Investments in Associates and Joint Venture – IAS28 has been renamed as a consequence of the new IFRS 11 and IFRS 12 and describes the application of the equity method to investments in joint venture in addition to associates.	1 January 2013
IAS 27 Revised	IAS 27 Revised – Consolidated and Separate Financial Statements. The objective of the Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013

The Directors do 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's principal activity and principal risks and uncertainties are set out in the Directors' report. The ability of the Company to operate as a going concern is dependent upon the continued availability of bank funding, which in turn is dependent on the Company not breaching covenants, without cure or formal waiver from its bankers. Under its bank facilities the Company drew down $135 million of committed funds in connection with the acquisition of Star Energy Group Limited, which is repayable in tranches over the period of a five year term until December 2016. The Company regularly monitors forecasts to determine that breaches 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. The Company is protected to a material degree against volatility in the oil price, by having a significant proportion of its production hedged at above $90 per barrel. Despite this, there can be no certainty that these forecasts will be achieved, in which case the financial covenants could be breached. Should any breach be anticipated to arise, the Company would manage its working capital profile, reduce discretionary expenditure, where necessary and, if applicable, take additional mitigating actions that have already been identified as a precautionary measure. The Directors consider that the expected operating cash flows of the group and combined with the current borrowing facilities give them confidence that the Company has adequate resources to continue as a going concern. The financial statements have, therefore, been prepared on the going concern basis.

(c) Significant accounting judgements and estimates

The principal activity of the Company's major subsidiary, IGL, which has been accounted for at fair value at acquisition less provision for impairment, is the production of oil and gas.

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 within the next financial year are discussed below:

Carrying value of investment in subsidiaries:

The Company evaluates investments in subsidiaries that have been accounted for at fair value 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; review of 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. This can have a significant impact on the results of the Company based on the foreign currency translation methods used.

1 Accounting policies continued

(d) Non-current assets

Investments in subsidiaries

Investments 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 held as non-current assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, when impairment is calculated on the basis as set out below. Any impairment is charged to the income statement.

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 relies on fair value less cost to sell assessed either by reference to comparable market transactions between a willing buyer and a willing seller or on the same basis as used by willing buyers and sellers in the oil and gas industry. When assessing value in use, 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 asset 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

Other 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:

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.

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.

(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.

Parent Company financial statements – notes continued

1 Accounting policies continued

(g) Taxation

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

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. Taxable (loss)/profit differs from the (loss)/profit 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. 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 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.

(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 immediately before and 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:

	£000
At 1 January 2010	**50,555**
At 1 January 2011	**50,555**
Acquisition in the year, at fair value	**139,528**
Employee share-based payment cost under IFRS 2	**71**
At 31 March 2012	**190,154**

The subsidiary undertakings of the Company at 31 March 2012 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	Production and marketing of oil and gas
Island Gas Operations Limited	Electricity Generation
Island Gas 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 (East Midlands) Limited	Dormant
Star Energy Oil and Gas Limited	Dormant
Star Energy Oil UK Limited	Dormant

3 Property, plant and equipment

	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2010	–	–	–
Additions	21	20	41
At 31 December 2010	21	20	41
Additions	66	–	66
Disposals	(2)	–	(2)
Acquisitions			
At 31 March 2012	**85**	**20**	**105**
Amortisation			
At 1 January 2010	–	–	–
Charge for the year, including impairment	4	5	9
At 31 December 2010	4	5	9
Charge for the period, including impairment	18	6	24
Disposals	–	–	–
Acquisitions	–	–	–
At 31 March 2012	**22**	**11**	**33**
Net book amount			
At 31 December 2010	17	15	32
At 31 March 2012	**63**	**9**	**72**

Parent Company financial statements – notes continued

4 Trade and other receivables

	31 March 2012 £000	31 December 2010 £000
Amounts falling due within one year:		
VAT recoverable	**233**	131
Other debtors	**2**	2
Amounts due from subsidiary undertakings	**22,359**	101
Prepayments	**201**	55
	22,795	289
Amounts falling due after more than one year:		
Amounts due from subsidiary undertakings	**–**	5,013
	–	5,013

The carrying value of each of the Company's financial assets as stated above being other debtors 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 2012 £000	31 December 2010 £000
Cash at bank and in hand	**3,452**	11,772
	3,452	11,772

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.

6 Current liabilities

	31 March 2012 £000	31 December 2010 £000
Trade and other payables:		
Trade creditors	**719**	76
Taxation and social security	**75**	42
Amounts due to subsidiary undertakings	**27,834**	–
Accruals and other creditors	**577**	412
	29,205	530

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 creditors are payable within one month and no creditor has been outstanding for longer than three months (2010: all within one month).

7 Taxation

Tax losses, none of which is considered sufficiently certain of utilisation to set up deferred tax assets, amount to:

	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Excess management expenses	14,288	4,830
Related to share-based payment transactions	97	13

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

	31 March 2012			31 December 2010		
	Within 1 year £000	**Greater than 1 year £000**	**Total £000**	Within 1 year £000	Greater than 1 year £000	Total £000
Facility A*	**16,475**	**32,818**	**49,293**	–	–	–
Facility B*	**–**	**25,659**	**25,659**	–	–	–
	16,475	**58,477**	**74,952**	–	–	–

* Transaction costs of raising debt of £7.6 million have been netted off against the liability.

On 21 November 2011 the Company and Macquarie entered into a senior secured facility agreement (the "Credit Agreement"). The Credit Agreement consists of three separate facilities:
(i) a $90,000,000 5 year senior secured term loan, carrying interest at 5.5% over LIBOR and a 2% commitment fee;
(ii) a $45,000,000 5 year senior secured term loan, carrying interest at 12% above LIBOR and a commitment fee of 3.5%; and
(iii) an uncommitted working capital facility of up to $15,000,000 which may be made available at the discretion of Macquarie(remain undrawn at March 31, 2012).

The Credit Agreement contains certain representations, warranties and covenants customary for a credit facility 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 Credit Agreement also contains customary events of default, the occurrence of which allow Macquarie (and any other lender that accedes to the Credit Agreement) to accelerate outstanding loans and terminate the commitments. The facilities are required to be repaid in full on the date that is 60 months following the completion of the Acquisition, on a change of control and the sale of the assets of the Group.

The Company's financing under the Credit Agreement is denominated in US Dollars.

9 Other liabilities

	£000
At 1 January 2010	–
Warrants issued during period	4,457
Revaluation	(1,651)
As at 31 March 2012	**2,806**

Warrants issued to Macquarie Bank under the Facilities Agreement can be exercised in four 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 IAS39 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 grant, 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 risk free interest rate of 1.04% and an implied volatility of 35% were used in valuing the warrants as at 31 March 2012. It was also assumed that no dividends would be paid during the life of the warrants.

Movement during the period was as follows:

	No	Weighted average exercise price (pence)
At 1 January 2010	–	–
Granted in Period	21,286,646	55.8
Lapsed in Period	–	–
Outstanding at 31 March 2012	**21,286,646**	**55.8**
Exercisable at 31 March 2012	**21,286,646**	**55.8**

The weighted average remaining contractual life for the warrants outstanding as at 31 March 2012 is 5.75 years.

Parent Company financial statements – notes continued

10 Commitments

At the balance sheet date the Company had outstanding commitments for future minimum lease payments under non cancellable operating leases, all falling due in under one year of £45 thousand (2010: £45 thousand).

11 Financial instruments and risk management

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the financial instruments that are carried in the companys balance sheet.

	Carrying amount		Fair value	
	31 March 2012 £000	31 December 2010 £000	**31 March 2012 £000**	31 December 2010 £000
Financial assets				
Loans and receivables				
Cash and cash equivalents[1]	**3,452**	11,772	**3,452**	11,772
Trade and other receivables[1]	**–**	61	**–**	61
Financial liabilities				
Amortised cost				
Borrowings (floating rate)[2]	**74,952**	–	**82,296**	–
Trade and other payables[1]	**719**	76	**719**	76
Fair value through profit and loss				
Interest rate swaps[3]	**532**	–	**532**	–
Warrants[4]	**2,806**	–	**2,806**	–

1 The carrying values of cash and cash equivalents, short-term receivables and payables are assumed to approximate their fair values where discounting is not material.
2 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.
3 The fair value of commodity price swaps and interest rate swaps are determined using discounted cash flow analysis at quoted interest rates.
4 The fair value of warrants is estimated using a Black-Scholes valuation model.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

– 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.

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2012				
Interest rate swaps	–	532	–	532
Warrants	–	2,806	–	2,806
Total	**–**	**3,338**	**–**	**3,338**
At 31 December 2010				
Interest rate swaps	–	–	–	–
Warrants	–	–	–	–
Total	**–**	**–**	**–**	**–**

Derivative financial instruments

The Company enters into certain swap contracts in order to manage its exposure to foreign exchange risk associated with interest rate risk associated with debt service costs.

The outstanding contracts as at 31 March 2012 are as follows:

	Term	Contract amount	Contract price/rate	Average Fixed Price/ Rate	Fair value at 31 March 2012 £000
Interest rate swaps	2012-2016	$67.5m declining to $22.8m	0.91%–1.36%	1.15%	532

11 Financial instruments and risk management continued

The Company's interest rate swaps mature over the period from 14 December 2011 to 13 December 2016 with a profile linked to the expected repayment of principal on the Macquarie Facilities.

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 arrive directly from its operations. 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 prices, such as interest rate risk and foreign currency risk.

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 balance sheet position sensitivity relates to derivatives and accounts receivables;
- 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 2012 and 31 December 2010; and
- The impact on equity is the same as the impact on profit before tax.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates. The Company's policy is to manage its interest cost using derivative financial. The Company's policy is to keep between half 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 derivative financial instruments interest rate swaps. The impact on equity is the same as the impact on profit before tax as these derivative financial instruments (interest rate swaps) have not been designated as hedges and are classified as held-for-trading.

The analysis is based on the assumption that US-dollar LIBOR moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in profit before tax for the period ending and to equity as at	
	31 March 2012 £000	31 December 2010 £000
50 basis point increase in LIBOR	**800**	–
50 basis point decrease in LIBOR	**(800)**	–

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 pound sterling, the functional currency of the Company. 10% of the Company's costs are denominated in currencies other than the Company's functional currency, primarily US dollars.

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 period ending and to equity as at	
	31 March 2012 £000	31 December 2010 £000
10% strengthening of the pound against the US dollar	**7,835**	–
10% weakening of the pound against the US dollar	**(7,835)**	–

Credit risk

With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents 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 these cash and cash equivalents by dealing only with financial institutions with credit ratings of at least "A" or equivalent.

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 2012 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 2012						
Borrowings	**–**	**16,475**	**15,584**	**15,021**	**34,313**	**81,393**
Trade and other payables	**–**	**719**	**–**	**–**	**–**	**719**
Warrants	**–**	**2,806**	**–**	**–**	**–**	**2,806**
Derivative financial instruments						
Interest rate swaps	**–**	**434**	**261**	**69**	**(241)**	**523**
	–	**20,434**	**15,845**	**15,090**	**34,072**	**85,441**
At 31 December 2010						
Trade and other payables	–	76	–	–	–	–
	–	76	–	–	–	–

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 (2010: funding requirements through equity) and adjustments are made in light of changes in economic conditions. The Company's capital structure changed in the period to 31 March 2012 as a result of the acquisitions it made. 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. Capital includes share capital, share premium, other reserves and accumulated losses.

12 Share capital

	Ordinary Shares No.	£000 Nominal value
Issued and fully paid		
1 January 2010, Ordinary Shares of 50p each	**91,012,975**	**45,507**
23 April 2010 shares issued at a price of 55p each	82,500	41
26 October 2010 shares issued at a price of 64.5p each	2,013,956	1,007
31 December 2010, Ordinary Shares of 50p each	**93,109,431**	**46,555**
09 March 2011 Shares issued at a price of 73.50p each.	39,714,290	19,857
10 March 2011 Shares issued at a price of 75p each	27,500,000	13,750
14 December 2011 Shares issued at a price of 50.5p each	1,881,188	941
31 March 2012, Ordinary Shares of 50p each	**162,204,909**	**81,103**

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.

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.

13 Share Premium 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. During the period the Company issued 39,714,290 Ordinary 50p shares at a price of 73.50p each, 27,500,000 Ordinary 50p shares at a price of 75p each and 1,881,188 Ordinary 50p shares at a price of 50.5p each (2010: 82,500 and 2,013,956 Ordinary 50p Shares at a price of 55p and 64.5p each). The cost of the issue was nil (2010: £nil). Together these events resulted in a net movement in the Share Premium reserve of £15.5 million (2010: £297 thousand).

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(a) 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 January 2010	131	–	–	131
Transfer to retained earnings/(accumulated deficit) account re warrants	(131)	–	–	(131)
Employee share plans – cost under IFRS 2	63	–	–	63
Treasury shares issued during the year	–	(1,299)	–	(1,299)
Balance 31 December 2010	63	(1,299)	–	(1,236)
Employee share plans – cost under IFRS 2	49	–	–	49
Capital contribution	–	–	47	47
Balance 31 March 2012	112	(1,299)	47	(1,140)

Parent Company financial statements – notes continued

15(a) Other Reserves continued

Warrant Reserve

Movement in the warrants during the period was as follows:

	No	Weighted average exercise price (pence)
At 1 January 2010	440,000	60
Exercised in Period	(82,500)	55
Lapsed in Period	(357,500)	60
Outstanding at 31 December 2010	–	–
Exercisable at 31 December 2010	–	–
Exercised in Period	–	–
Lapsed in Period	–	–
Outstanding at 31 March 2012	–	–
Exercisable at 31 March 2012	–	–

Employee share plans – Equity settled

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

	LTIP		2011 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 January 2010	–	–	–	–	–	–
Granted during the Period	1,125,000	nil	–	–	1,322,204	70
Forfeited during the Period	–	–	–	–	–	–
Exercised during the Period	–	–	–	–	–	–
Outstanding at 31 December 2010	1,125,000	nil	–	–	1,322,204	70
Exercisable at 31 December 2010	–	–	–	–	–	
Granted during the Period	–	–	2,107,485	nil	–	–
Cancelled during the Period	(1,075,000)	nil	–	–	(910,930)	70
Exercised during the Period	–	–	–	–	–	–
Outstanding at 31 March 2012	50,000	nil	2,107,485	nil	411,274	70
Exercisable at 31 March 2012	–	nil	–	–	–	–

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. The LTIPs outstanding at 31 March 2012 had both a weighted average remaining contractual life and maximum term remaining of 8.5 years.

The total charge for the year was £52 thousand. Of this amount, £18 thousand was charged to the subsidiary and £34 thousand 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.

15(a) 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 period. The LTIPs outstanding at 31 March 2012 had both a weighted average remaining contractual life and maximum term remaining of 9.5 years.

The total charge for the year was £58 thousand. Of this amount, £21 thousand was charged to the subsidiary and £37 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.

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 can 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. The unvested Options outstanding at 31 March 2012 had both a weighted average remaining contractual life and maximum remaining term of 8.5 years.

The total charge for the year was £90 thousand. Of this amount, £32 thousand was charged to the subsidiary and £58 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:

	LTIP	2011 LTIP	Share Option Plan
Weighted average share price	64.5p	50.5p	64.5p
Weighted average exercise price	Nil	Nil	70p
Expected volatility	35%	35%	35%
Expected life	6.5 years	6.5 years	5–6.5 years
Risk-free rate	1.09%	0.701%	1.09%
Expected dividends	0%	0%	0%
Weighted average fair value of awards granted in 2011	n/a	23.12p	n/a
Weighted average fair value of awards granted in 2010	6p	n/a	12p

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 not net effect on shareholders' funds. During the 15 months to 31 March 2012 no shares were issued to the Employee Benefit Trust (2010: 2,013,956).

Capital contribution

The capital contribution of £47 thousand was received in cash following the acquisition of Nexen Exploration UK Ltd.

Parent Company financial statements – notes continued

15(b) Related party transactions

(a) With Group companies

A summary of the transactions in the period is as follows:

	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Subsidiaries:		
Amounts due from/(to) subsidiary:		
Island Gas Limited:		
Balance at beginning of period	5,013	436
Services performed by subsidiary	–	–
Net cash advances	16,397	4,046
Services performed for subsidiary	793	531
Balance at end of period	22,203	5,013
Island Gas Operations Limited:		
Balance at beginning of period	101	–
Net cash advances	55	101
Balance at end of period	156	101
Star Energy Limited:		
Balance at beginning of period	–	–
Net cash Advances	(10,135)	–
Services performed for subsidiary	–	
	(10,135)	–
Star Energy Group Limited:		
Balance at beginning of period	–	–
Net cash advances	(17,699)	–
Services performed for subsidiary	–	
	(17,699)	–

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 Group. In the opinion of the Board, the Group's key management are the Directors of the Company. Information regarding their compensation is given in notes 5 and 27 to the consolidated accounts.

16 Subsequent events

There have been no events after the reporting period that require adjustment or disclosure in accordance with IAS10: "Events after the Reporting Period".

Oil and Gas Reserves
As at 31 March 2012

The Group's estimates of proven and probable reserve quantities are taken from the Group's Competent Person's evaluation reports for the Group's oil fields as of 1 July 2011 and 31 December 2011 together with production data thereafter. 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 January 2011	0.00	0.00	0.00
Acquired during the year	9.20[1]	8.70	10.70
Revisions of estimates after acquisition	0.99	(0.49)	0.91
Production	(0.04)	0.00	(0.04)
At 31 December 2011 per Senergy CPR	10.15	8.21	11.57
Production	(0.24)	0.00	(0.24)
At 31 March 2012	9.91	8.21	11.33

Note 1: Senergy CPR as at 1 July 2011: 9.63 mmbbl less production between 1 July 2011 and 14 December 2011 0.43 mmbbl.

Senergy was requested to provide an update to its 2011 independent evaluation of the recoverable hydrocarbons expected for each asset categorised 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").

Proposed business of the Annual General Meeting

Introduction

You will find set out at the end of this document the formal Notice of the Annual General Meeting of IGas Energy plc. This section provides some additional information on the Resolutions being proposed at the Annual General Meeting. The following definitions apply throughout this section of the document unless the context requires otherwise:

"2006 Act"	the Companies Act 2006
"Accounts"	the audited financial statements of the Company for the 15 month period ended 31 March 2012
"Annual General Meeting" or **"AGM"**	the annual general meeting of the Company convened for 16 August 2012 pursuant to the Notice of Annual General Meeting which appears at the end of this document
"Articles"	the articles of association of the Company in force at the date of this document
"Board" or **"Directors"**	the board of directors of the Company
"Company"	IGas Energy plc
"Form of Proxy"	the form of proxy accompanying this document for use at the Annual General Meeting
"New Deferred Shares"	the 162,204,909 deferred shares of 40p each in the capital of the Company
"New Ordinary Shares"	ordinary shares of 10p each in the capital of the Company
"Ordinary Shares"	ordinary shares of 50p each in the capital of the Company
"Resolutions"	the resolutions set out in the Notice of Annual General Meeting which appears at the end of this document
"Shareholders"	holders of Ordinary Shares

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Morrison & Foerster (UK) LLP, CityPoint, One Ropemaker Street, London EC2Y 9AW at 10:30 am on Thursday 16 August 2012, at which the following Resolutions will be proposed:

1. to receive and adopt the Company's Annual Report and Accounts for the 15 month period ended 31 March 2012, and the Directors' Report and the Independent Auditors' Report on those accounts;

2. to receive and approve the Remuneration Report of the Directors for the 15 month period ended 31 March 2012 and the Independent Auditors' Report on the auditable part of the Remuneration Report;

3. to reappoint as a Director John Hamilton who, in accordance with the Articles, is required to retire by rotation at the Annual General Meeting and, being eligible, offers himself for reappointment;

4. to reappoint as a Director Francis Gugen who, in accordance with the Articles, is required to retire by rotation at the Annual General Meeting and, being eligible, offers himself for reappointment;

5. to reappoint as a Director Stephen Bowler who, in accordance with the Articles, having been appointed since the last annual general meeting is required to retire at the Annual General Meeting and, being eligible, offers himself for reappointment;

6. to reappoint as a Director Robin Pinchbeck who, in accordance with the Articles, having been appointed since the last annual general meeting is required to retire at the Annual General Meeting and, being eligible, offers himself for reappointment;

7. to reappoint Ernst & Young LLP as the auditors of the Company until the next annual general meeting;

8. to authorise the Directors to determine the level of the remuneration of the auditors;

9. to subdivide the issued share capital of the Company;

10. conditional upon Resolution 9 being passed, to grant the Directors authority to allot shares in the capital of the Company;

11. conditional upon Resolution 10 being passed, to grant the Directors the power to disapply the statutory pre-emption rights for certain shares in the capital of the Company; and

12. conditional upon Resolution 9 being passed, that the Company be generally and unconditionally authorised to make off-market purchases of all issued New Deferred Shares pursuant to the Contract (as defined in the Notice of the Annual General Meeting).

Resolutions 1 and 2 and 7 and 8 are self-explanatory. Information on the other Resolutions is provided below. Resolutions 1 to 10 are ordinary resolutions which require to be passed the approval of a simple majority of Shareholders present and voting in person or by proxy or authorised representative. On a show of hands each Shareholder so present has one vote, but should a poll be demanded, each such Shareholder has one vote for each share held by him or her. Resolutions 11 and 12 are special resolutions that require to be passed with the approval of 75% of such Shareholders, determined in the same way as for the ordinary resolutions.

Resolution 3 – reappointment of John Hamilton as a Director
Mr Hamilton is liable to retire by rotation at the Annual General Meeting under the Articles, and offers himself for re-election. Having considered his re-election, the Nomination Committee considers that his performance remains effective, particularly having regard to his responsibilities as Non-Executive Director.

John is the Managing Director of Levine Capital management Advisors Limited, a UK incorporated company and interim chairman at President Petroleum Corporation Plc. John was previously the Group Finance Director of Imperial Energy Corporation Plc. Prior to joining Imperial Energy, John held senior positions at ABN AMRO.

Resolution 4 – reappointment of Francis Gugen as a Director
Mr Gugen is liable to retire by rotation at the Annual General Meeting under the Articles, and offers himself for re-election. Having considered his re-election, the Nomination Committee considers that his performance remains effective, particularly having regard to his responsibilities as Non-Executive Director.

Francis is a founder and Non Executive Chairman and has over thirty 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 Euro 224m. He is past president of the UK Offshore Operators Association, past chair of the industries representation on the UK Government Oil & Gas Task Force (Pilot) and past chair of the CBI's Environmental Affairs Committee. Francis is a chartered accountant having worked for Arthur Andersen for eight years until 1982, principally as an oil and gas specialist.

Resolution 5 – reappointment of Stephen Bowler as a Director
Mr Bowler was appointed as Chief Financial Officer in November 2011, which was subsequent to the last annual general meeting and, in accordance with the Articles, he must retire at this Annual General Meeting, but he offers himself for reappointment. Upon appointment, the Board considered that his experience made him a suitable candidate to complement the board. The Nomination Committee has considered his reappointment and considers that his performance remains effective, particularly having regard to his responsibilities as 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 the Company on 1 November 2011.

Resolution 6 – reappointment of Robin Pinchbeck as a Director
Mr Pinchbeck was appointed as Non-Executive Director in July, which was subsequent to the last annual general meeting and, in accordance with the Articles, he must retire at this Annual General Meeting, but he offers himself for reappointment. Upon appointment, the Board considered that his experience made him a suitable candidate to complement the board. The Nomination Committee has considered his reappointment and considers that his performance remains effective, particularly having regard to his responsibilities as Non-Executive Director.

Rob has 38 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 subsequently served as Group Director of Strategy. Since 2003 he has held a range of Non-Executive positions, including Sondex plc, SLR Consulting Ltd and Enquest plc. He is currently a Non-Executive Director at AIM-listed Enteq Upstream plc and Non-Executive Chairman at the international oil services company Sparrows Offshore Ltd.

Resolution 9 – subdivision of share capital of the capital of the Company
The existing ordinary share capital comprises 162,204,909 Ordinary Shares of 50p each. Resolution 9 proposes that each of the Ordinary Shares of the Company be split into one New Ordinary Share and one New Deferred Share.

The New Ordinary Shares will continue to carry the same rights as attached to the existing Ordinary Shares (save for the reduction in nominal value).

The New Deferred Shares will not entitle the holder thereof to receive notice of or attend and vote at any general meeting of the Company or to receive a dividend or other distribution or to participate in any return on capital on a winding up other than the nominal amount paid on such shares following the distribution to holders of New Ordinary Shares in the Company of £1,000,000 per New Ordinary Share. Subject to the passing of the Resolutions, the Company will have the right to purchase all the issued New Deferred Shares from all Shareholders for an aggregate consideration of one penny. As such, the New Deferred Shares effectively have no value. Share certificates will not be issued in respect of the New Deferred Shares and it is the Company's intention to immediately acquire all of the New Deferred Shares subject to the passing of Resolution 12.

The Company is taking this action pursuant to an obligation to Macquarie Bank Limited (**"Macquarie"**) contained in a warrant instrument dated 14 December 2011 (the **"Warrant Instrument"**). Pursuant to the Warrant Instrument, Macquarie was granted warrants entitling it to subscribe for 21,286,646 Ordinary Shares at a price of 55.8 pence per Ordinary Share. The Warrant Instrument also provided for cashless and nominal exercise mechanics. The efficiency of the nominal exercise mechanic is currently rendered of little economic use given the high nominal value of the Ordinary Shares; equally the Company was keen to avoid any use of the cashless exercise mechanic. Accordingly, it was agreed that if the Company reduced the nominal value of its Ordinary Shares to 10 pence or less, Macquarie would waive the right to a cashless exercise of the warrants. The passing of this Resolution will fulfil the Company's obligations to Macquarie and have no economic effect on Shareholders.

Proposed business of the Annual General Meeting continued

Resolution 10 – authority to issue shares
At the Annual General Meeting held on 20 June 2011, the Directors were authorised, in accordance with section 551 of the 2006 Act, to allot Ordinary Shares, grant rights to subscribe or to convert any security into Ordinary Shares up to an aggregate nominal amount of £26,720,620. This authority expires at the conclusion of this Annual General Meeting.

Subject to and conditionally upon the passing of Resolution 9, it is therefore proposed to revoke the existing authority and replace it with a new authority, granted under section 551 of the 2006 Act, which will allow the Directors to allot New Ordinary Shares and to grant rights to subscribe for or to convert any securities into New Ordinary Shares up to an aggregate nominal amount of £5,406,830 representing approximately one third of the issued ordinary share capital of the Company immediately after the passing of Resolution 9 and a further aggregate nominal amount of £5,406,830 representing approximately a further third of such issued share capital, which will be available only for rights issues and other pre-emptive issues of equity shares.

The proposal that the authority to allot new New Ordinary Shares shall extend to a further third of the issued share capital immediately after the passing of Resolution 9 is in accordance with the guidelines issued by the Association of British Insurers (**"ABI"**) which confine the use of this amount to rights issues only. The Directors have no present intention of exercising this authority. However, if they do exercise the authority, the Directors intend to follow the emerging best practice as regards its use (including as regards Directors standing for re-election) as recommended by the ABI and the National Association of Pension Funds.

Assuming the passing of the Resolution, the new authority will expire 15 months from the date of the passing of the Resolution or until the conclusion of the next annual general meeting, if earlier, and will revoke all previous authorities to the extent that they have not already been utilised apart from other specific authorities taken in respect of outstanding warrants and options which will continue unaffected. The Directors have no present intention of issuing any share capital of the Company, but the passing of this Resolution will enable the Directors to take advantage of any opportunities which may arise.

Resolution 11 – disapplication of pre-emption rights
Section 561 of the 2006 Act contains pre-emption rights that require all equity shares which it is proposed to allot for cash to be offered to existing shareholders in proportion to existing shareholdings, unless a special resolution is passed to disapply such rights. Such rights do not apply to an issue otherwise than for cash, such as an issue in consideration of an acquisition. The Directors believe that these requirements are too restrictive and, it is proposed that, subject to the passing of Resolution 9, the Directors should be able to allot shares amounting to no more than an aggregate nominal amount of £2,433,073 representing approximately 15 per cent. of the equity share capital of the Company (including treasury shares) immediately after the passing of Resolution otherwise than on a pre-emptive basis.

In addition, it is customary to disapply the statutory pre-emption rights altogether, and substitute similar non-statutory provisions because, for technical reasons, the statutory rights are difficult to apply in certain circumstances. The proposed Resolution therefore provides that all allotments for cash in excess of the 15 per cent. limit, must be in the form of rights issues, open offers or other pre-emptive issues except for the one third of the existing issued share capital reserved only for rights issues in accordance with the previous Resolution, and free of the statutory constraints. The broadening of the proposed Resolution to include pre-emptive issues other than rights issues is a departure from the strict wording of the ABI guidelines which is limited to rights issues, which the Directors regard as too restrictive, especially as AIM companies normally make open offers and not rights issues. The above departures in Resolutions 10 and 11 from the strict wording of the ABI guidelines should not be taken to indicate that they are being disregarded, but rather that the proposed Resolutions are designed to provide greater flexibility for the Directors to determine the form of any future pre-emptive issues in the light of market conditions and practice, at the time such an issue may be proposed.

Resolution 12 – off-market purchase of New Deferred Shares
As outlined above in relation to Resolution 9, and subject to the passing of that Resolution, the Company will have the right to purchase all the issued New Deferred Shares from all Shareholders for an aggregate consideration of one penny. As such, the New Deferred Shares effectively have no value. Resolution 12 proposes that the Company be authorised to make off-market purchases of the New Deferred Shares pursuant to the terms of the Contract (as defined in the Notice of Annual General Meeting).

Action to be Taken
A Form of Proxy for use at the Annual General Meeting is enclosed. If you are a Shareholder you are advised to complete and return the form in accordance with the instructions printed on it so as to arrive at the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible, but in any event no later than 10:30 am on 14 August 2012. Alternatively, you may e-mail or fax your completed proxy form by following the instructions in Note (3) to the Notice of Annual General Meeting.

Such an electronic appointment must also be made no later than 10:30 am on 14 August 2012.

The return of a Form of Proxy or the electronic appointment of a proxy does not preclude you from attending and voting at the Annual General Meeting if you so wish.

Recommendation
The Directors consider the Resolutions to be proposed at the Annual General Meeting to be in the best interests of the Company and its Shareholders. Accordingly, the Directors unanimously recommend Shareholders to vote in favour of all the Resolutions, as they intend to do in respect of their own beneficial holdings comprising 38,684,847 Ordinary Shares, representing approximately 23.85% of the issued share capital of the Company. In addition, Nexen Petroleum UK Limited, which holds 39,714,290 Ordinary Shares, representing approximately 24.8% of the issued share capital, has agreed to vote in favour of all of the Resolutions.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of IGas Energy plc will be held at the offices of Morrison & Foerster (UK) LLP, CityPoint, One Ropemaker Street, London EC2Y 9AW at 10:30 am on Thursday 16 August 2012 to consider, and if thought fit, pass the following Resolutions of which Resolutions 1 to 10 will be proposed as ordinary resolutions and Resolutions 11 and 12 will be proposed as special resolutions.

Ordinary business

1. To receive and adopt the Company's Annual Report and Accounts for the 15 month period ended 31 March 2012 and the Directors' Report, and the Independent Auditors' Report on those accounts.

2. To receive and approve the Remuneration Report of the Directors for the 15 month period ended 31 March 2012 and the Independent Auditors' Report on the auditable part of the Remuneration Report.

3. To reappoint as a Director, John Hamilton, who is retiring by rotation in accordance with Article 38 of the Company's Articles of Association and who being eligible is offering himself for reappointment.

4. To reappoint as a Director, Francis Gugen, who is retiring by rotation in accordance with Article 38 of the Company's Articles of Association and who being eligible is offering himself for reappointment.

5. To reappoint as a Director, Stephen Bowler, who is retiring by rotation in accordance with Article 33.2 of the Company's Articles of Association and who being eligible is offering himself for reappointment.

6. To reappoint as a Director, Robin Pinchbeck, who is retiring by rotation in accordance with Article 33.2 of the Company's Articles of Association and who being eligible is offering himself for reappointment.

7. To reappoint Ernst & Young LLP as auditors of the Company from the conclusion of this Meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid.

8. To authorise the Directors to determine the remuneration of the auditors.

9. That each of the existing Ordinary Shares of 50p each be subdivided into one ordinary share of 10p each in nominal value having the same rights as the existing Ordinary Shares and one deferred share of 40p each in nominal value having the rights and restrictions of deferred shares as set out in the Articles.

10. That, subject to and conditionally upon the passing of Resolution 9, in substitution for all existing authorities for the allotment of shares by the Directors, which are hereby revoked but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors of the Company be and are hereby generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the **"2006 Act"**) to exercise all the powers of the Company to:

    (A) allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred as an allotment of "relevant securities") up to an aggregate nominal amount of £5,406,830; and

    (B) allot equity securities (within the meaning of section 560(1) of the 2006 Act) up to an aggregate nominal amount of £5,406,830 in connection with a rights issue or other pre-emptive offer which satisfies the conditions and may be subject to all or any of the exclusions specified in paragraph (B)(1) of the next following Resolution,

    in each case for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of the passing of this Resolution or at the conclusion of the next annual general meeting of the Company following the passing of this Resolution, whichever occurs first, provided that the Company may before such expiry, variation or revocation make an offer or agreement which would or might require such relevant or equity securities to be allotted after such expiry, variation or revocation and the Directors may allot relevant or equity securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired or been varied or revoked.

Special business

11. That, subject to and conditionally upon the passing of Resolution 10, the Directors are hereby empowered pursuant to section 570 of the 2006 Act to allot equity securities (as defined by section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 10 as if section 561 of the 2006 Act did not apply to any such allotment provided that such power:

    (A) shall, subject to the continuance of the authority conferred by Resolution 10, expire 15 months after the passing of this Resolution or at the conclusion of the next annual general meeting of the Company following the passing of this Resolution, whichever occurs first, but may be previously revoked or varied from time to time by special resolution but so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted after such expiry, revocation or variation and the Directors may allot equity securities in pursuance of such offer or agreement as if such power had not expired or been revoked or varied; and

Notice of Annual General Meeting continued

(B) shall be limited to:

(1) the allotment of equity securities of up to an aggregate nominal amount of £5,406,830 pursuant to a rights issue, open offer, scrip dividend scheme or other pre-emptive offer or scheme which is in each case in favour of holders of Ordinary Shares and any other persons who are entitled to participate in such issue, offer or scheme where the equity securities offered to each such holder and other person are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held or deemed to be held by them for the purposes of their inclusion in such issue, offer or scheme on the record date applicable thereto, but subject to such exclusions or other arrangements as the Directors may deem fit or expedient to deal with fractional entitlements, legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or stock exchange in any territory, shares being represented by depositary receipts, directions from any holders of shares or other persons to deal in some other manner with their respective entitlements or any other matter whatever which the Directors consider to require such exclusions or other arrangements with the ability for the Directors to allot equity securities and sell relevant shares not taken up to any person as they may think fit; and

(2) the allotment of equity securities for cash otherwise than pursuant to sub-paragraph (B)(1) up to an aggregate maximum nominal amount of £2,433,073.

12. That, subject to and conditionally upon the passing of Resolution 9, the Company be generally and unconditionally authorised to make off-market purchases (within the meaning of section 163(1) of the 2006 Act) of all issued New Deferred Shares (being 162,204,909 New Deferred Shares) pursuant to the terms of a draft contract produced to the meeting and initialled by the Chairman for the purposes of identification (the **"Contract"**) the terms of which Contract are hereby approved for the purposes of section 163 of the 2006 Act generally. The authority hereby conferred shall expire on the earlier of fifteen months after the passing of this Resolution or the close of the next annual general meeting of the Company.

20 July 2012

By Order of the Board

MoFo Secretaries Limited
Company Secretary

Registered Office:
7 Down Street
London
W1J 7AT

NOTES

(1) A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member. A Form of Proxy is enclosed.

(2) The Form of Proxy, if used, and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority most be lodged at Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or, (during normal business hours) by hand, to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than 48 hours before the time fixed for holding the meeting.

(3) Completing and returning a Form of Proxy will not preclude a member from attending in person at the meeting and voting should he or she wish to do so.

(4) The Form of the Proxy must be signed and dated by the shareholder or his/her attorney duly authorised in writing, if the shareholder is a company, it may execute under its common seal, by the signature of a director and its secretary or two directors or other authorised signatories in the name of the company or by the signature of a duly authorised officer or attorney. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or in proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect to the joint holding. Names of all joint holders should be stated.

(5) Members who hold Ordinary Shares in the Company in uncertificated form must have been entered on the Company's register of members by 6.00 p.m. on 14 August 2012 in order to be entitled to attend and vote at the meeting. Such members may only vote at the meeting in respect of Ordinary Shares in the Company held at the time, if the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(6) In the absence of instructions, the person appointed proxy may vote or abstain from voting as he or she thinks fit on the Resolutions and, unless instructed otherwise, the person appointed proxy may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to any Resolution) which may properly come before the meeting.

(7) If you wish to appoint as your proxy someone other than the Chairman of the meeting, cross out the words "the Chairman of the meeting' in the Form of Proxy and write on the dotted line the full name and address of your proxy. The change should be initialed.

(8) If two or more valid Forms of Proxy are delivered in respect of the same Ordinary Share, the one which was delivered last (regardless of its date or the date of its execution) will be valid, to the exclusion of any ones previously delivered.

Glossary

£	The lawful currency of the United Kingdom
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
CBM	Coal bed methane
Contingent Recoverable Resource	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
Scf	Standard cubic feet
Tcf	Trillions of standard cubic feet of gas
UK	United Kingdom

Notes

General information

Directors

F R Gugen – Non-Executive Chairman
A P Austin – Chief Executive Officer
J Blaymires – Chief Operating Officer
S Bowler – Chief Financial Officer
R J Armstrong – Non-Executive
J Bryant – Non-Executive
J A Hamilton – Non-Executive
R Pinchbeck – Non-Executive

Company Secretary

Mofo Secretaries Limited
Citypoint
One Ropemaker Street
London EC2Y 9AW

Nominated Adviser and Broker

NOMAD and Joint Broker
Jeffries Hoare Govett
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Joint Broker
Canaccord Genuity
88 Wood Street
London EC2V 7QR

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Auditors

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

Public Relations

Kreab Gavin Anderson
Scandinavian House
2–6 Cannon Street
London
EC3M 6XJ

Bankers

Macquarie Bank Limited
Ropemaker Place
28 Ropemaker Street
London
EC2Y 9HD

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Registered Office

7 Down Street
London
W1J 7AT

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).

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Island Gas Limited's
Annual Returns
2013

Company Number: 04962079

ISLAND GAS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

ISLAND GAS LIMITED

Parent Company	IGas Energy Plc	
Directors	A P Austin J M Blaymires S D Bowler	Managing Director Director Director
Company Secretary	S S White	
Company Number	04962079	
Registered Office	7 Down Street Mayfair London W1J 7AJ	
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF	
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP	

Copies of Reports and Financial Statements
Further copies of this Report and Financial Statements can be obtained from Island Gas' Registered Office.

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Directors' report

The Directors present their report together with the financial statements for the year ended 31 March 2013. This accounting period is not comparable with the 15-month prior period as the prior period represented a long period of account to align the year end with the ultimate parent company, IGas Energy plc.

Operational highlights

- Acquisition of P. R. Singleton from Providence Resources
- Progress on "Chase the Barrels" initiative
- Proven reserves growth of 30% from 6.1 to 7.9 MMboe over the period 1 Jan 2012 to 30 June 2012
- Gas Initially In-Place "GIIP" for NW shale acreage up to 170Tcf[2]
- Drilling programme to commence in Q4 2013 to refine estimates
- Government package of community incentives, guidelines on permitting and planning and launches consultation on tax incentives in support of the industry

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

Results and dividends
The Company's profit for the period after taxation but before costs of marking to market oil price derivatives was £4.7 million. After adjusting for these items amounting to £6.9 million the total profit for the period was £11.6 million (2012: loss £11.3 million). The Directors do not recommend the payment of any dividend.

Going Concern
The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Business review and future developments

Over the past twelve months, Island Gas Limited ("IGL") has had a busy and productive year as evidenced by our solid financial results. As a result, we believe we are extremely well positioned for the future as we move closer to unlocking Britain's untapped unconventional resources, whilst continuing to deliver on our conventional assets, which are the foundation of our business.

There have been significant recent developments in the UK with the lifting of restrictions on exploration for shale gas announced by the UK government on 13th December 2012 and the establishment of the government's Office of Unconventional Gas and Oil. In the Chancellor's Budget statement, he outlined how the government was looking to assist the industry to take the next steps in assessing this resource by bringing forward proposals in respect to community benefits, planning guidelines and appropriate taxation. At the time of writing the government has already announced its intention to introduce a more streamlined planning process and tax allowances and we continue to work closely with all the relevant government departments.

The government's Energy and Climate Change Select Committee published a Report: 'The Impact of Shale Gas on Energy Markets' in April 2013 which acknowledged the substantial benefits to the UK that shale gas could offer. It concluded that natural gas from shale has the potential to transform the UK's energy market, boost the economy, create thousands of jobs, generate significant tax revenues and reduce our reliance on imported gas. The Committee itself is keen to see exploration proceed quickly in order to validate current estimates and establish the potential of shale gas in the UK.

In February 2013, IGL completed the acquisition of PR Singleton Limited. The assets included the ownership of 100% of PL240, including the Singleton field which is close to existing IGas sites in the South of England, and 50% of PEDL 233 including the Baxter's Copse and Burton Down fields

Operational activity

Significant progress continues to be made on the unconventional resources of the group both in terms of the subsurface understanding and the clarification by government in respect to the regulatory and planning process related to shale development.

Following completion of the Ince Marshes-1 well, we conducted an extensive evaluation programme of the shale potential in our North West licences. This work has involved detailed seismic analysis, including reprocessing many kilometres of existing 2-D seismic, biostrat and chemostrat studies, basin modelling as well as extensive petrophysical and geomechanical studies using data from existing wells across the North West. Using the geological model constructed by our technical team, this data has been analysed to give estimates of the reservoir characteristics of the shale formations, including the thickness of the shale.

Based on this model, we have estimated the volume of Gas Initially In-Place (GIIP) associated with the shales in the North West, including the Bowland Shale.

GIIP	Low	Most likely	High
Tcf	15.1	102.0	172.3

These estimates cover an area of 300 square miles giving an average mid case in place volume of ca. 340 Bcf/square mile with a range of 93 Bcf/square mile to 677 Bcf/square mile across the IGas North West acreage.

We will commence a drilling programme later in the year, in the North West, which will help to further refine these estimates and advance our understanding of this shale basin. Long lead items such as wellheads and casings have now been ordered and negotiations with drilling and related service companies are nearing completion. Background monitoring and base line surveys in advance of drilling have already commenced.

We will also, in due course, carry out further analysis and reinterpretation of existing seismic and subsurface data to evaluate the potentially prospective shale resources in the East Midlands and Weald Basin licence areas.

The Doe Green pilot Coal Bed Methane ("CBM") site continues to produce gas and generate electricity. All three production wells, each of which is testing a separate seam, demonstrate that gas is flowing from the seams. The development of our CBM resources will be linked to and dependent on the progress made in demonstrating our shale resources

Directors and their interests
The Directors who served during the fifteen months were as follows:

A P Austin
J M Blaymires
S D Bowler

As at 31 March 2013 none of the Directors held any interests in the shares of the Company (2012: none).

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 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 54 of the Company's Articles of Association as adopted on 5 October 2009. These provisions remained in force throughout the year and remain in place at the date of this report.

Substantial shareholders
The Company is a wholly owned subsidiary of IGas Energy plc.

Principal risks and uncertainties

- The Company 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 Company has entered into a series of oil price swaps for the period to 31 December 2017 which have fixed the price of 1,251,194 barrels of oil at an average Brent price of US$83.79 per barrel and a further 1,610,119 barrels at an average Brent price of GB£60.74 per barrel. The Board will continue to monitor the benefit of such contracts.
- The Company is also exposed to market price risk through variations in the wholesale price of gas and electricity in the context of its future unconventional production volumes. Currently the Company has not entered into any forward contracts to fix the prices of these commodities. The Board will continue to monitor the benefit of entering into such contracts at the appropriate time.
- The Company is exposed to exchange rate risk through its major source of revenue being priced in US$. The GB£ oil price swaps have been taken out in order to mitigate this risk as it affects the need to fund operating costs fixed

in GB£.
- The Company is exposed to interest rate risk through its borrowings.
- The Company is exposed, through its operations, to liquidity risk, which is managed by the Board who regularly review the Company's cash forecasts and the adequacy of available facilities to meet the Company's cash requirements.
- The Company 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 Company's assets or that oil or gas can be delivered economically. The Company considers that such risks are mitigated given its assets are located in established oil and gas producing areas coupled with the extensive expertise and experience of its operating team.
- The Company is exposed to planning, environmental, licensing and other permitting risks associated with its operations and, in particular, with drilling and production operations. The Company considers that such risks are mitigated through compliance with regulations and the expertise and experience of its operating team.
- The Company 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.

Environment, health and safety
The Company is committed to preserving the environment and to ensuring we provide safe and healthy work conditions for all our employees and contractors.

Financial instruments
The Company'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 Notes 12 to 15 to the financial statements. The Company's financial risk management objectives are set out in Note 18 to the financial statements.

Creditor payment policy and practice
It is the Company's normal practice to agree payment terms with its suppliers and abide by such terms. Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with the relevant contractual conditions. The amount owed by the Company to trade creditors at the end of the financial year represented 16 days of daily purchases for the Company (2012: 17 days).

Status
The Company is not a close company as defined in the Income and Corporation Taxes Act 1988.

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

Post Balance Sheet Events
There have been no events occurring since 31 March 2013 requiring disclosure or adjustment.

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

Directors' statement as to disclosure of information to the auditors
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
S S White
Secretary
05 September 2013

Island Gas Limited
Registered Office:
7 Down Street
London
W1J 7AJ

Registered in the United Kingdom number: 04962079

Statement of directors' responsibilities in relation to the Company's financial statements

The Directors are responsible for preparing the Company's 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's financial statements unless they are satisfied that they present fairly the financial position of the Company and its financial performance and cash flows for that period. In preparing the Company's 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 Company's financial position and financial performance;
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business.

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

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

Independent auditor's report to the members of Island Gas Limited

We have audited the company financial statements of Island Gas Limited for the year ended 31 March 2013 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 24. 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 Statement of directors' responsibilities in relation to the Company's financial statements set out on page 7, the directors are responsible for the preparation of the company's 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 company's 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. 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 company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year 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 matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the company's 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.

Ernst & Young LLP

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

05 September 2013

Income statement
For the year ended 31 March 2013

	Notes	Year ended 31 March 2013 £000	15 months ended 31 March 2012 Restated £000
Revenue	2	**58,482**	19,894
Cost of sales:			
Depletion, depreciation and amortisation		**(9,622)**	(3,126)
Other costs of sales		**(19,408)**	(6,166)
Total cost of sales		**(29,030)**	(9,292)
Gross profit		**29,452**	10,602
Administrative costs		**(4,114)**	(1,025)
Exploration costs written off		**(975)**	-
Other income		**165**	24
Gain/(loss) on oil price swaps		**1,062**	(18,512)
Operating profit/(loss)	3	**25,590**	(8,911)
Finance income	5	**3**	14
Finance costs	5	**(13,996)**	(2,368)
Net finance costs		**(13,993)**	(2,354)
Profit/(loss) on ordinary activities before tax		**11,597**	(11,265)
Income tax charge	6	**(716)**	-
Profit/(loss) from continued operations attributable to equity shareholders of the Company		**10,881**	(11,265)

Statement of comprehensive income
For the year ended 31 March 2013

	Year ended 31 March 2013 **£000**	15 months ended 31 March 2012 Restated £000
Profit/(loss)for the year/period	**10,881**	(11,265)
Other comprehensive income for the year/period	-	-
Total comprehensive income/(loss) for the year/period	**10,881**	(11,265)

Balance sheet
As at 31 March 2013

	Notes	31 March 2013 £000	31 March 2012 Restated £000
Non-current assets			
Intangible exploration and evaluation assets	9	**58,629**	57,198
Property, plant and equipment	10	**94,933**	98,051
Investment in subsidiary	8	**15,092**	-
		168,654	155,249
Current assets			
Inventories	11	**518**	404
Trade and other receivables	12	**83,425**	15,672
Cash and cash equivalents	13	**6,185**	95
		90,128	16,171
Current liabilities			
Trade and other payables	14	**(74,201)**	(33,347)
Current tax liabilities	6		-
Finance lease liability	17	**-**	(51)
Derivative financial instruments	18	**(9,223)**	(8,301)
		(83,424)	(41,699)
Net current assets/(liabilities)		**6,704**	(25,528)
Total assets less current liabilities		**175,358**	129,721
Non-current liabilities			
Borrowings	15	**(150,289)**	(114,541)
Derivative financial instruments	18	**-**	(7,860)
Deferred tax liabilities	6	**(716)**	-
Provisions	16	**(24,190)**	(18,356)
		(175,195)	(140,757)
Net assets/(liabilities)		**163**	(11,036)
Capital and reserves			
Called up share capital	19	**1**	1
Share premium account	20	**44**	44
Other reserves	20	**431**	113
Accumulated funds/(deficit)		**(313)**	(11,194)
Shareholders' funds/(deficit)		**163**	(11,036)

These financial statements were approved and authorised for issue by the Board on 05 September 2013 and are signed on its behalf by:

S Bowler
Director

Statement of changes in equity
For the year ended 31 March 2013

	Called up share capital (Note 24)	Share premium account	Other reserves	Retained earnings (accumulated deficit)	Total
	£000	£000	£000	£000	£000
Balance at 1 January 2011	**1**	**44**	**43**	**71**	**159**
Changes in equity for 2012					
Total comprehensive loss for the period	-	-	-	(11,375)	(11,375)
Employee share plans cost under IFRS 2 (note 21)	-	-	70	-	70
Balance at 31 March 2012	**1**	**44**	**113**	**(11,304)**	**(11,146)**
Prior year restatement (note 24)	-	-	-	110	110
Balance at 31 March 2013 (restated)	**1**	**44**	**113**	**(11,194)**	**(11,036)**
Changes in equity for 2013					
Total comprehensive profit for the year	-	-	-	10,881	10,881
Employee share plans cost under IFRS 2 (note 21)	-	-	318	-	318
Balance at 31 March 2013	**1**	**44**	**431**	**(313)**	**163**

Cash flow statement
For the year ended 31 March 2013

	Notes	Year ended 31 March 2013 £000	15 months ended 31 March 2012 Restated £000
Operating activities:			
Profit/(loss) before tax for the year/period		**11,597**	(11,265)
Depreciation, depletion and amortisation	3	**9,622**	3,126
Share based payment charge		**144**	13
(Gain)/loss on derivative financial instruments		**(6,789)**	16,160
Finance income	5	**(3)**	(4)
Finance costs	5	**13,996**	2,368
Decrease/(increase) in trade and other receivables		**2,477**	(3,895)
Increase in trade and other payables, net of accruals related to investing activities		**(1,645)**	(535)
(Increase)/decrease in inventories		**(114)**	715
Exploration costs written off		**975**	42
Abandonment costs incurred		**(29)**	(41)
Revaluation effects as a result of foreign exchange movements		**(112)**	-
Loss on disposal of fixed assets		**10**	-
Taxation paid		**-**	(2,307)
Net cash from/(used in) operating activities		**30,129**	(4,377)
Investing activities			
Acquisition of exploration and evaluation assets		**(2,455)**	(17,345)
Acquisition of property, plant and equipment		**(1,092)**	(600)
Acquisitions		**(13,877)**	-
Interest received		**3**	4
Net cash used in investing activities		**(17,421)**	(17,941)
Financing activities			
Cash proceeds from loans and borrowings		**-**	13,365
Repayment of loans and borrowings		**(6,734)**	-
Interest paid		**(23)**	-
Repayment of finance lease/hire purchase agreement		**(51)**	(21)
Net cash from financing activities		**(6,808)**	13,344
Net increase/(decrease) in cash and cash equivalents in the year/period		**5,900**	(220)
Net foreign exchange difference		**190**	-
Cash and cash equivalents at the beginning of the year/period		**95**	315
Cash and cash equivalents at the end of the year/period	13	**6,185**	95

During the prior period the Company acquired certain assets, liabilities and trade for which the consideration was intercompany borrowings and not cash. Details of these transactions are in Note 7.

Notes to the financial statements

1 Accounting policies

(a) Basis of preparation of financial statements

These financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards, adopted for use by the European Union (IFRS) as they apply to the Company for the year ended 31 March 2013 and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS. This accounting period is not comparable with the prior 15-month period as it represented a long period of account to align to the year end of the ultimate parent company (IGas Energy plc). The accounts were approved by the Board and authorised for issue on 05 September 2013.

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.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated group financial statements. These financial statements therefore present information about the company as an individual undertaking and not about its group. The consolidated financial statements of IGas Energy Plc in which this Company is included, can be obtained from its registered office.

During the period, the Company adopted the following new and amended IFRS which was applicable to the Company's activities as of 1 April 2012.

International Accounting Standards:

IAS 12	Income Taxes (Amendment)- Deferred Taxes – Recovery of Underlying Assets - The amendment clarified the determination deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The Company considered the effects of this amendment and has concluded that there is no impact on the financial statement.

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 2012 or later periods and which the Company has not adopted early. Those that may be applicable to the Company in future are as follows:

		For financial period commencing on or after*
International Accounting Standards (IFRS/IAS)		
IAS 1	Amendment to IAS 1 – Financial Statement Presentation – This amendment changes the Companying of items presented in the 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 will have no impact on the Company's financial position or performance.	1 July 2012
IFRS 9	IFRS 9 – Financial Instruments: Classification and Measurement – IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.	1 January 2015
IFRS 7/IAS 32	IFRS 7/IAS 32 -The amendments to IAS 32 and 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 clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014. The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013. The Company is currently assessing the impact that these amendments will have on its financial position.	1 January 2013 1 January 2014
IFRS 11	IFRS11 - Joint Arrangements – IFRS11 establishes principle of the financial reporting by	1 January 2014

	parties to a joint arrangement. IFRS 11 supersedes IAS31. It removes the option for jointly controlled entities (JCE) using proportionate consolidation.	
IFRS 12	IFRS12 - Disclosures of involvement with other entities - IFRS12 combines, enhances and replaces the disclosure requirement for subsidiaries, joint arrangements, associates and in consolidated structured entities.	1 January 2014
IFRS 13	IFRS 13 – Fair Value Measurement – IFRS13 defines fair value, setting out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value	1 January 2013
IAS 28	IAS28 - Investments in Associates and Joint Venture- IAS28 has been renamed as a consequence of the new IFRS 11 and IFRS 12 and describes the application of the method to investments in joint venture in addition to associates.	1 January 2013
IAS 27 Revised	IAS 27 Revised – Consolidated and Separate Financial Statements. The objective of the Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013

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

The Directors do 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.

Restatement
The Company has restated the fair value of consideration for certain acquired assets and assumed liabilities in the prior year, the consideration for which was intercompany loans payable (see note 24).

(b) Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis, IGas' subsequent placing of shares and subsequent arrangement of a bond issuance.

(c) Joint ventures
A small proportion of the Company'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 Company accounts for its share of assets, liabilities, income and expenditure of these jointly controlled assets, 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 (g) below. Where the Company enters into a farm-up agreement involving a licence in the exploration and evaluation phase, the Company 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.

(d) Significant accounting judgements and estimates
The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the 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 Company has identified the following areas where significant judgements, estimates and assumptions 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 Company has capitalised intangible exploration and evaluation assets in accordance with IFRS 6, which are evaluated for impairment as described at (g) 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 Company's Intangible exploration and evaluation assets are disclosed in note 9.

- Carrying value of property, plant and equipment

  Management reviews the Company's property, plant and equipment periodically for impairment indicators. The determination of recoverable amounts in any 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 and production and reserves, discussed further below.

- 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 gas and oil property, plant and equipment as well as being a significant estimate affecting decommissioning provisions and impairment calculations. 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 proven and probable reserves, forecast price levels and technology at the balance sheet date. Provision is made for the estimated cost at the balance sheet date, using discounted cash flow methodology and a risk free rate of return.

- 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. This can have a significant impact on the results of the Company based on the foreign currency translation methods used.

(e) 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

(f) Revenue

Revenue comprises the invoiced value of goods and services supplied by the Company, 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, in which the Company has an interest with other producers, is recognised based on the Company'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 Company, the measurement of the revenue depends upon whether physical title to the oil passes to the Company or whether the Company simply acts an 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.

(g) Non-current assets

Intangible exploration and evaluation assets

The Company accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 "*Exploration for and Evaluation of Mineral Resources*" as follows:

- Exploration and evaluation assets are carried at cost less any impairment and are not depreciated or amortised.
- 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, materials and consumables, equipment costs and payments made to contractors.
- 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.
- 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.
- 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 Company 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:

- 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 Company's interests in oil and gas properties are assessed for indications of impairment whenever events or changes in circumstances indicate 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.
- Net proceeds from any disposal of development/producing assets are compared to the previously capitalised costs for the relevant asset or Company 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 Company 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 Company generally relies on fair value less cost to sell assessed either by reference to comparable market transactions between a willing buyer and a willing seller or on the same basis as used by willing buyers and sellers in the oil and gas industry. When assessing value in use, 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 Company's non-current liabilities. A corresponding asset is included in the appropriate category of the Company'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 or depleted in accordance with the Company's policies as set out above.

Carried interests

Where the Company has entered into carried interest agreements in exploration and evaluation projects and the Company'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 Company's share of production, the Company 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 Company 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 Company less accumulated depreciation. Depreciation is provided on such assets, with 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 Company does not capitalise amounts considered to be immaterial.

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 asset 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 relies on fair value less cost to sell assessed either by reference to comparable market transactions between a willing buyer and a willing seller or on the same basis as used by willing buyers and sellers in the oil and gas industry. When assessing value in use, 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

(k) 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.

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.

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 Company enters into derivatives to manage its exposure to variability in the price and foreign exchange rate 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 remeasured 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.

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

(l) 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 through the expected life of the financial liability, or, where appropriate a shorter period.

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 profit or loss in the period in which they are incurred.

(m) 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 on a straight line basis over the period of the lease.

Finance leases
Assets under finance leases are included under 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.

(n) 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.

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

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. Taxable (loss)/profit differs from the (loss)/profit 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. 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 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.

(p) Share based payments
Where share options are awarded to employees (including Directors) of IGas Energy plc, the proportion of the fair value of the options (for the services provided to the Company) at the date of the grant is recorded in the Company's equity over the vesting period.

Charges corresponding to the amounts recognised in equity are accounted for as a cost against profit and loss unless the services rendered (and discharged by share-based payments) 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.

(r) 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.

(s) Foreign currency
The consolidated financial statements are presented in UK pound sterling, which is the company's functional currency. The Company does not have any foreign operations. Transactions denominated in currencies other than the 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

All revenue which represents turnover arises within the United Kingdom and relates to external parties. The Company's revenue relates to the sale of oil and gas in the UK. £58.5m of the Company's revenue was derived from two customers (2012: £19.9 million).

3 Operating profit/(loss)

	Year ended 31 March 2013	15 months ended 31 March 2012
	£000	£000
Operating loss is stated after charging:		
Depletion, depreciation and amortisation	**9,622**	3,126
Impairment – exploration costs written off	**975**	42
Auditor's remuneration:		
Audit of the financial statements	**115**	36
Payments under operating leases:		
Land and buildings	**1,179**	410
Other	**169**	51

4 Directors' and Employees

The company does not have any employees (2012: none).

During the year/period the Company was charged £3,303 thousand (2012: £793 thousand) for services performed by other affiliated companies. Services related to the Company's operational activities and £109 thousand were capitalised in accordance with the Company's accounting policy (2012: £33 thousand).

No Directors serving at the balance sheet date or during the year ended 31 March 2013 have been paid any emoluments by the Company (2012: £Nil).

Details of emoluments paid to Directors for services to the Group are detailed in the IGas Energy plc annual report and accounts.

5 Finance income and costs

	Year ended 31 March 2013	15 months ended 31 March 2012 Restated
	£000	£000
Finance income:		
Interest on short-term deposits	3	4
Foreign exchange gains	-	10
Finance income recognised in income statement	3	14
Finance expense:		
Finance lease charges	23	1
Interest on borrowings	13,526	2,098
Interest expense	13,549	2,099
Unwinding of discount on provisions	447	269
Finance expense recognised in income statement	13,996	2,368

6 Taxation

	Year ended 31 March 2013 £000	15 Months ended 31 March 2012 Restated £000
UK corporation tax:		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax charge	-	-
Deferred tax:		
Current year charge	716	-
Charge in relation to prior periods	-	-
Total deferred tax charge	716	-
Tax charge on profit or loss on ordinary activities	716	-

Factors affecting the tax charge

The tax assessed for the year does not reflect a credit equivalent to the loss on ordinary activities multiplied by the rate of corporation tax and supplementary charge for ring-fenced businesses in the United Kingdom of 62% (2012: 62%). A reconciliation of the UK statutory corporation tax rate applicable to the Company's loss before tax to the Company's total tax credit is as follows:

	Year ended 31 March 2013 £000	15 months ended 31 March 2012 Restated £000
Profit/(loss) on ordinary activities before tax	11,597	(11,265)
Expected tax (credit) based on profit/(loss) on ordinary activities multiplied by the combined rate of corporation tax and supplementary charge in the UK of 62% (2012: 62%)	7,190	(6,985)
Tax effect of expenses not allowable for tax purposes	5,422	607
Tax effect of expenses not allowable for supplementary charge purposes	4,478	781
Group relief surrendered for nil consideration	249	92
Impact of profits or losses taxed at different rates	(167)	(127)
Recognition and utilisation of previously unrecognised deferred tax assets	(16,451)	5,632
Other	(5)	-
Tax charge on profit/(loss) on ordinary activities	716	-

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

	31 March 2013 £000	31 March 2012 Restated £000
Accelerated capital allowances	15,600	13,436
Tax losses carried forward	(10,524)	(18,789)
Decommissioning provision	(45)	(36)
Unrealised gains or losses on derivative contracts	(5,718)	(10,019)
Share based payments	(198)	(17)
Unrecognised Losses	1,601	15,425
Deferred tax liabilities	716	-

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 £26 million of ring-fence corporation tax losses and £6 million of supplementary charge losses.

Island Gas Limited has further tax losses of £7 million on which no deferred tax is recognised due to insufficient certainty regarding the availability of future profits on its non-ring fence trade.

7 Acquisitions (Restated)

As part of a Group wide restructure in December 2011, the Company acquired certain licences and other assets, liabilities and trade from other subsidiaries of the Group.

Assets and associated trade acquired from IGas Exploration UK Limited

On 19 December 2011, the Company acquired the equity interests not previously held in PEDL's 145, 56-1, 78-2, 115, 116, 184, 190 and 193 from its sister company IGas Exploration UK Ltd. The acquisition was made in pursuance of the Company's strategy to secure operatorship and 100% ownership of all its assets.

The purchase consideration (satisfied by a non-interest bearing loan, where repayment terms will be mutually agreed by IGas Exploration UK Limited and IGL in the future) of £29.9 million has been allocated against the identifiable assets and liabilities purchased on the basis of their fair values at the date of purchase:

	£'000
Assets	
Intangible exploration and evaluation assets	30,089
Trade and other receivables	52
Liabilities	
Trade and other payables	(46)
Provisions	(149)

Assets and associated trade acquired from Star Energy Oil and Gas Limited

On 19 December 2011, the Company acquired the assets and associated trade from related company Star Energy Oil and Gas Limited. The acquisition added a portfolio of 17 UK onshore licences, with an inventory of operational wells and a number of development and exploration opportunities.

The purchase consideration (satisfied by a loan bearing interest at 8% above LIBOR, where repayment is agreed mutually between parties which, per facility agreements entered into on 30 March 2012, is repayable on 30 March 2019- see Note 15) of £51.1 million has been allocated against the identifiable assets and liabilities purchased on the basis of their fair values at the date of purchase:

Assets	**Restated**
	£'000
Intangible exploration and evaluation assets	10
Property, plant and equipment	66,564
Cash and cash equivalents	93
Inventories	844
Trade and other receivables	13,263
Liabilities	
Trade and other payables	(12,010)
Current tax liabilities	(5,470)
Provisions	(12,275)

A prior year adjustment has been made to correct the valuation of PPE, which had been overstated by £2.8m. The consideration for this transaction has been reduced by this amount. Please see note 24 for further information.

Assets and associated trade acquired from and Star Energy Weald Basin Limited

On 19 December 2011, the Company acquired the assets and associated trade from related company Star Energy Weald Basin Limited. The acquisition added a portfolio of 8 UK onshore licences, with an inventory of operational wells and a number of development and exploration opportunities.

The purchase consideration (satisfied by a loan bearing interest at 8% above LIBOR, where repayment is agreed mutually between parties which, per facility agreements entered into on 30 March 2012, is repayable on 30 March 2019- see Note 15) of £31.2 million has been allocated against the identifiable assets and liabilities on the basis of their fair values at the date of purchase.

Assets	Restated
	£'000
Intangible exploration and evaluation assets	3,766
Property, plant and equipment	33,837
Cash and cash equivalents	1,284
Inventories	235
Trade and other receivables	1,948
Liabilities	
Trade and other payables	(4,480)
Current tax liabilities	(4)
Provisions	(5,341)

A prior year adjustment has been made to correct the valuation of PPE, which had been overstated by £1.5m. The consideration for this transaction has been reduced by this amount. Please see note 24 for further information.

8 Non-current assets – investment in subsidiary

Investment in subsidiary comprises:

	31 March 2013	31 March 2012
	£000	£000
At beginning of year/period	-	-
Acquisitions in the year/period	15,092	-
At end of year/period	15,092	-

The subsidiary undertaking of the company at 31 March 2013 which is 100% directly owned and is incorporated in England and Wales is:

Name	**Principal activity**
Island Gas (Singleton) Limited	Production and marketing of oil and gas

9 Intangible exploration and evaluation assets

	Exploration and evaluation
	£000
Cost	
At 1 January 2011	4,716
Additions	18,659
Acquisitions (Note 7)	33,865
Impairment	(42)
At 31 March 2012	57,198
Additions	2,501
impairment	(1,093)
Change in decommissioning	23

At 31 March 2013	58,629
Amortisation	
At 1 January 2011	-
Charge for the period	-
At 31 March 2012	42
Charge for the period	-
At 31 March 2013	-
Net book amount	
At 31 March 2012	57,198
At 31 March 2013	58,629

During the period an impairment charge amounting to £1,093 thousand (2012: £42 thousand) was made relating to expenditure on a site where no future exploration is planned.

10 Property, plant and equipment

	Equipment used for Exploration and Evaluation £000	Freehold land £000	Buildings/ leasehold property improvements £000	Oil and gas properties (Restated) £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total (Restated) £000
Cost							
At 1 January 2011	179	-	-	-	-	-	179
Additions	-	-	-	592	-	8	600
Disposals	-	-	-	-	-	(8)	(8)
Acquisitions	-	826	538	97,747	104	1,206	100,421
At 31 March 2012	179	826	538	98,339	104	1,206	101,192
Additions	-	-	-	1,052	-	-	1,052
Disposals	-	-	-	(28)	(7)	(175)	(210)
Change in decommissioning	-	-	-	5,394	-	-	5,394
Write back	-	-	-	50	-	-	50
At 31 March 2013	179	826	538	104,807	97	1,031	107,478
Depreciation							
At 1 January 2011	6	-	-	-	-	-	6
Charge for the period	25	-	337	2,679	10	92	3,143
Disposals	-	-	-	-	-	(8)	(8)
At 31 March 2012	31	-	337	2,679	10	84	3,141
Charge for the period	20	-	165	9,172	30	255	9,642
Disposals	-	-	-	-	(7)	(163)	(170)
Write back	-	-	-	(68)	-	-	(68)
At 31 March 2013	51	-	502	11,783	33	176	12,545
Net book amount							
At 31 March 2012	148	826	201	95,660	94	1,122	98,051
At 31 March 2013	128	826	36	93,024	64	855	94,933

Included in the total net book value of fixed assets is £nil thousand (2012 - £210 thousand) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £nil thousand (2012 - £12 thousand).

Under the terms of the facility agreement between the Parent Company and Macquarie Bank, Macquarie Bank Limited has a fixed and floating charge over all these assets. This charge was released on 10 April 2013 when the Macquarie loans were settled. The charge was transferred to bondholders of the ultimate parent company's bonds.

11 Inventories

	31 March 2013	31 March 2012
	£000	£000
Oil Stock	**298**	117
Drilling materials	**43**	42
Maintenance materials	**177**	245
	518	404

12 Trade and other receivables

	31 March 2013	31 March 2012
	£000	£000
VAT recoverable	**233**	989
Trade debtors	**3,265**	5,316
Other debtors	**66**	33
Amount due from affiliates	**78,993**	8,670
Prepayments	**868**	664
	83,425	15,672

The carrying value of the Company's trade and other receivables as stated above is considered to be a reasonable approximation of their fair value. Trade receivables are non-interest bearing and are generally on 30 day payment terms. Amounts due from affiliates are not considered financial assets under IFRS as there are no contracts in place scheduling repayments.

The Company's financial assets as stated above have been reviewed for indicators of impairment and no impairment provision was found to be required (2012: nil). The ageing of trade debtors and other debtors is as follows:

	31 March 2013	31 March 2012
	£000	£000
Not yet due	3,265	5,349
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	-	-
	3,265	5,349

13 Cash and cash equivalents

	31 March 2013	31 March 2012
	£000	£000
Cash at bank and in hand	6,185	95
	6,185	95

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, with the exception of banks where the UK government is the major shareholder.

14 Current liabilities

	31 March 2013	31 March 2012
	£000	£000
Trade and other payables:		
Trade creditors	**1,380**	3,443
Amount due to affiliates	**69,078**	27,729
Other creditors	**1,215**	-
Accruals	**2,528**	2,175
	74,201	33,347

The carrying value of each of the Company's financial liabilities is considered to be a reasonable approximation of its fair value. All trade creditors are payable within one month and no creditors have been outstanding for longer than three months (2012: all within one month). Amounts due to affiliates are not considered financial liabilities under IFRS as there are no contracts in place scheduling repayments.

15 Borrowings

	31 March 2013			31 March 2012		
	Within 1 year	Greater than 1 year	Total	Within 1 year	Greater than 1 year Restated	Total Restated
	£000	£000	£000	£000	£000	£000
Borrowings – Star Energy Group Ltd	-	14,790	14,790	-	13,622	13,622
Borrowings – Star Energy Weald Basin Ltd	-	20,940	20,940	-	19,285	19,285
Borrowings – Star Energy Oil & Gas Ltd	-	56,633	56,633	-	52,156	52,156
Borrowings – IGas Exploration UK Ltd	-	33,064	33,064	-	29,478	29,478
Borrowings – IGas Energy plc	-	24,862	24,862	-	-	-
	-	150,289	150,289	-	114,541	114,541

At 31 March 2013 the Company had facility agreements with following related companies;

Star Energy Group Ltd
(i) A facility up to an amount of £60,000,000, carrying interest at 8% above LIBOR and a maturity date of 30 March 2019;
(ii) A facility up to an amount of £20,000,000, carrying interest at 8% above LIBOR and a maturity date of 30 March 2019.

Star Energy Weald Ltd
(i) A facility up to an amount of £66,000,000, carrying interest at 8% above LIBOR and a maturity date of 30 March 2019.

Star Energy Oil and Gas Limited
(i) A facility up to an amount of £84,000,000, carrying interest at 8% above LIBOR and a maturity date of 30 March 2019.

IGas Exploration UK Ltd
(i) A facility up to an amount of £150,000,000, carrying interest at 10% plus 2% premium and a maturity date of 31 March 2017.

IGas Energy Plc
(i) A facility up to an amount of £150,000,000, carrying interest at 10% plus 2% premium and a maturity date of 31 March 2017.

The ability for these companies to provide under the facilities is at the discretion of, and requires the support of, the Parent Company. The amounts due to Star Energy Weald Basin and Star Energy Oil and Gas Limited are consideration for the acquisition of assets and liabilities from these companies (see note 7). The Company's financing under the facility agreements are denominated in UK pound sterling.

16 Provisions for liabilities and charges

	31 March 2013			31 March 2012		
	Decommissioning	Other	Total	Decommissioning	Other	Total
	£000	£000	£000	£000	£000	£000
At the beginning of the period	18,256	100	18,356	72	-	72
New provisions	5,417	-	5,417	107	-	107
Acquisitions	-	-	-	17,765	160	17,925
Unwinding of discount	447	-	447	269	-	269
(Utilisation)/write back of provision	(5)	(25)	(30)	43	(60)	(17)
At the end of the period	24,115	75	24,190	18,256	100	18,356

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 one to 35 years from the period end. These provisions have been created based on the Company's 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 2013 (2012: Risk free rate range of 0.35% to 3.16%).

17 Commitments

The Company's capital and lease commitments comprised:

	31 March 2013	31 March 2012
	£000	£000
Capital Commitment:		
Obligation under 13th licensing round	**2,000**	2,000
Total capital commitments	**2,000**	2,000

The Company has entered into finance leases to acquire property, plant and equipment with a net book value of £nil (2012 - £210,000). These leases have terms of renewal but no purchase options or escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments under finance leases are set out below:

	31 March 2013	31 March 2012
	£000	£000
Future minimum lease payments payable within:		
1 year	-	52
1-2 years	-	-
2-3 years	-	-
	-	52
Less finance charge	-	1
Net obligations	-	51
Of which - payable within 1 year	-	51
- Payable within 1 to 2 years	-	-
- payable within 2 to 3 years	-	-
	-	51

Security is given for net obligations under finance leases falling due within one year and after more than one year with a fixed charge over the relevant assets of the Company relative to the amount outstanding.

Operating lease commitments:		
Minimum lease payments under operating leases recognised in profit for the year	1,348	461

At the balance sheet date the Company had minimum lease payments under non-cancellable operating lease for each of the following years:		
- expiring within 1 year	136	158
- expiring within 1 to 5 years	167	254
Total	303	412

Leases relate to equipment.

18 Financial instruments and risk management

In accordance with IFRS 7, the Group has detailed the financial instruments and financial risk management as at the balance sheet date.

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the financial instruments that are carried in the balance sheet.

	Carrying amount		**Fair value**	
	31 March 2013	31 March 2012 Restated	31 March 2013	31 March 2012 (Restated)
	£000	£000	£000	£000
Financial assets				
Loans and receivables				
Cash and cash equivalents[1]	6,185	95	6,185	95
Trade and other receivables[1]	3,265	5,349	3,265	5,349
Financial liabilities				
Amortised cost				
Finance lease[2]	-	51	-	51
Borrowings from affiliates (floating rate)[2]	92,363	89,502	92,123	89,502
Borrowings from affiliates (non-interest bearing)[2]	-	29,478	-	29,478
Borrowings from affiliates (fixed rate)[2]	57,926	-	57,952	-
Trade and other payables[1]	2,595	3,443	2,595	3,443
Fair value through profit and loss				
Commodity price swaps[3]	9,223	16,161	9,223	16,161

[1] The carrying values of cash and cash equivalents, short-term receivables and payables are considered to approximate their fair values as the effect of discounting is not material.

[2] The fair value of borrowings and finance leases has been calculated by discounting the expected future cash flows at prevailing market interest rates for instruments with substantially the same terms and characteristics.

[3] Some 55% of the commodity price swaps include an embedded foreign currency forward which has not been accounted for or valued separately.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- 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.

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

	Level 1	**Level 2**	**Level 3**	**Total**
	£000	£000	£000	£000
At 31 March 2013				
Commodity price swaps	-	9,223	-	9,223
Total	**-**	**9,223**	**-**	**9,223**
At 31 March 2012				
Commodity price swaps	-	16,161	-	16,161
Total	**-**	**16,161**	**-**	**16,161**

Derivative financial instruments

The Company enters into certain swap contracts in order to manage its exposure to commodity price risk and foreign exchange risk associated with sales of oil in US dollars.

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

	Term	**Contract amount**	**Contract price/rate**	**Average Fixed Price/Rate**	**Fair value at 31 March 2013** £000
US dollar commodity price	2013-2017	1,251 Mbbls oil	$90-$105.65/bbl	$97.97/bbl	2,060

swaps					
Pound sterling commodity price swaps	2013-2017	1,610 Mbbls oil	£56.70-£63.60/bbl	£60.74/bbl	7,162

The Company's commodity price swaps mature over the period from 1 April 2013 to 31 December 2017 on contracted volumes that decline in line with the Company's 2P production profile. During the year to 31 March 2013 oil hedges for 573 thousand barrels (2012: 146 thousand barrels) matured generating a net cost of £5.9 million (2012: £2.3 million).

As no derivative instrument has been designated for hedge accounting, all gains and losses are recognised immediately in the income statement.

Derivative financial instrument liabilities were classified as current liabilities at 31 March 2013 as the Company had intended to settle the derivatives shortly after the balance sheet date.

Financial risk management
The Company's principal financial liabilities, other than derivatives, comprise borrowings from affiliates and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations including the Company's capital expenditure programme and to fund acquisitions. The Company has trade and other receivables and cash and cash equivalents that are derived directly from its operations. 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 commodity price, 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 prices, such as commodity price risk, interest rate risk and foreign currency risk.
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 Company'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 2012 and 31 December 2010; 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 Company 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 Company's policy is to manage these risks through the use of derivative financial instruments (commodity price swaps) to keep between 60% and 75% of its production over the next six years at a fixed price.
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 the assumption that the crude oil price moves 10%, with all other variables held constant.

	Increase/(decrease) in profit before tax for the period ended and to equity as at	
	31 March 2013 £000	31 March 2012 £000
10% increase in the price of oil	(15,681)	(12,300)
10% decrease in the price of oil	15,681	12,300

Interest rate risk
The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings from affiliates with floating interest rates
The following table summarises the impact on profit before tax for changes in interest rates on the borrowings. The impact on equity is the same as the impact on profit before tax.
The analysis is based on the assumption that US-dollar LIBOR moves 50 basis points, with all other variables held constant..

	Increase/(decrease) in profit before tax for the period ended and to equity as at	
	31 March 2013 £000	31 March 2012 (Restated) £000
50 basis point increase in LIBOR	(673)	(459)
50 basis point decrease in LIBOR	673	459

Foreign currency risk

The Company has transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the UK pounds sterling, the functional currency of the Company. The Company's sales are denominated in US dollars, and around 5% of costs are denominated in currencies other than the functional currency of the Company, primarily US dollars. The Company manages this risk through the use of derivative financial instruments (commodity price swaps) which fix the price of a portion of oil sales in pounds sterling. The commodity price swaps denominated in sterling account for 55% of the total production covered by commodity price swaps (the remainder are denominated in US dollars), fixing the exchange rate. 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 period ended and to equity as at	
	31 March 2013 £000	31 March 2012 £000
10% strengthening of the pound against the US dollar	168	6,972
10% weakening of the pound against the US dollar	(168)	(6,972)

Credit risk

The Company trades only with recognised, creditworthy third parties. It is the Company'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 Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank and trade references.

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

At 31 March 2013, the Company had 2 customers (2012: 2) that owed the Company more than £2.5 million each and accounted for approximately 95% (2012: 95%) 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 Company, which comprise cash and cash equivalents, 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 these assets by dealing only with financial institutions with credit ratings of at least A or equivalent.

Refer to Note 12 for analysis of trade receivables ageing.

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 2013 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 2013						
Borrowings	-	-	-	-	150,289	150,289
Trade and other payables	-	2,595	-	-	-	2,595
Derivative financial instruments						
Commodity price swaps	-	9,222	-	-	-	9,222
	-	11,817	-	-	150,289	162,106
At 31 March 2012						
Borrowings	-	-	-	-	114,541	114,541
Trade and other payables	-	3,443	-	-	-	3,443
Derivative financial instruments						
Commodity price swaps	-	8,694	5,290	2,488	1,424	17,896
	-	12,137	5,290	2,488	115,965	135,880

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 (2012: funding requirements through equity) and adjustments are made in light of changes in economic conditions. The Company's capital structure changed in the period to 31 March 2013 as a result of the acquisitions it made and the related financing. 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 intercompany loans less cash and cash equivalents. Capital includes share capital, share premium, other reserves and accumulated losses.

19 Share capital

	Ordinary Shares	
		£000
	No.	Nominal value
Issued and fully paid		
1 January 2011 and 31 March 2012, Ordinary Shares of £1 each	**668**	**668**
31 March 2013, Ordinary Shares of £1 each	**668**	**668**

Accordingly, share capital and the share capital account comprised:

	£000
Share capital account	
At 1 January 2011	**668**
Shares issued during the year	-
At 31 March 2012	**668**
Shares issued during the period	-
At 31 March 2013	**668**

20 Other Reserves

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 period the Company issued no Ordinary Shares (2012: £nil).
Other Reserves – Other reserves of the Company arises from the share options granted in connection with the IGas Energy plc Long Term Incentive Scheme ("LTIP") and share Option plan.
Retained Earnings – This represents the historic accumulated losses less profits made by the Company.

21 Share plans – Equity settled

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

	LTIP		2011 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 January 2011	1,125,000	nil	-	-	1,322,204	70
Granted during the Period	-	-	2,107,485	-	-	-
Forfeited during the Period	(1,075,000)	nil	-	-	(910,930)	-
Exercised during the Period	-	-	-	-	-	-
Outstanding at 31 March 2012	50,000	Nil	2,107,485	-	411,274	70
Exercisable at 31 March 2012	-	-	-	-	-	-
Granted during the Period	-	-	1,071,542	-	-	-
Forfeited during the Period	(50,000)	-	-	-	(237,773)	(70)
Lapsed during the Period	-	-	-	-	(173,501)	(70)
Exercised during the Period	-	-	-	-	-	-
Outstanding at 31 March 2013	-	-	3,179,027	-	-	-
Exercisable at 31 March 2013	-	-	-	-	-	-

Long Term Incentive Plan 2010 ("LTIP")

In October 2010 the Parent Company adopted a Long Term Incentive Plan scheme for certain key employees of the Parent Company. 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 2013.

The total charge incurred by the Company for the year was £2 thousand. Of this amount, £nil thousand was capitalised and £2 thousand 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.

Long Term Incentive Plan 2011 ("2011 LTIP")

In November 2011 the Parent Company adopted a Long Term Incentive Plan scheme for certain key employees of the Parent Company. 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 period. The LTIPs outstanding at 31 March 2013 had both a weighted average remaining contractual life and maximum term remaining of 8.5 years.

The total charge incurred by the Company for the year was £218 thousand. Of this amount, £26 thousand was capitalised and £192 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.

Share Option plan

In October 2010 the Parent Company adopted a Share option plan for certain key employees of the Parent Company. Both executives and employees may participate in the Share Option Plan. Typically each individual participant can 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 2013.

The total charge incurred by the Company for the year was £2 thousand. Of this amount, £nil thousand was capitalised and £2 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:

	LTIP	2011 LTIP	Share Option Plan
Weighted average share price	64.5p	50.5p	64.5p
Weighted average exercise price	Nil	Nil	70p
Expected volatility	35%	35%	35%
Expected life	6.5 years	6.5 years	5 – 6.5 years
Risk-free rate	1.09%	0.701%	1.09%
Expected dividends	0%	0%	0%
Weighted average fair value of awards granted in 2011	n/a	23.12p	n/a
Weighted average fair value of awards granted in 2010	6p	n/a	12p

Other share based payments

During the year, certain employees agreed to settle bonuses earned in the period ended 31 March 2012 in share options. The number of share options issued was 216,850 with a fair value of £149 thousand, measured indirectly with reference to the value of the option. This amount was charged to the income statement. 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 2013 had both a weighted average remaining contractual life and a maximum term of 8.75 years

22 Related party transactions

The information below sets out transactions and balances between the Company and related parties in the normal course of business for the year ended 31 March 2013.

(a) With Related companies

Nexen Petroleum UK Limited is related by virtue of having as at 31 March 2013 a 21.29% share in the Parent Company in consideration for the Parent Company's acquisition of Nexen Exploration UK Limited. Pursuant to the terms of the Secondment Agreement dated 10 March 2011 entered into by the Parent Company, Nexen Petroleum UK Limited provided various services in relation to the Company's operations. For the year ended 31 March 2013, the services provided to the Company amounted to £146 thousand of which £nil thousand remained outstanding (2012: £264 thousand of which £nil thousand remained outstanding).

(b) With Group companies

A summary of the transactions in the period is as follows:

	Year ended 31 March 2013	15 Months ended 31 March 2012 Restated
	£000	£000
Subsidiaries:		
Amounts due (to)/from group company:		
IGas Energy plc :		
Balance at beginning of period	**(22,203)**	(5,013)
Net cash advances	**(52,541)**	(16,397)
Services performed by Parent	**(2,768)**	(793)
Interest on loan	**(2,659)**	-
Balance at end of period	**(80,171)**	(22,203)
IGas Exploration UK Limited :		
Balance at beginning of period	**(29,478)**	-
Net cash advances	-	467
Arising on acquisition of assets	-	(29,945)
Interest on loan	**(3,567)**	-
Balance at end of period	**(33,045)**	(29,478)
Island Gas Operations Limited :		
Balance at beginning of period	**(151)**	(21)
Net cash advances	**66**	(130)
Balance at end of period	**(85)**	(151)
Star Energy Group Limited:		
Balance at beginning of period	**(15,745)**	-
Net cash advances	**(8,075)**	(3,321)
Services performed for related company	**(317)**	498
Arising on acquisition of liabilities from Star Energy Weald Basin Limited and Star Energy Oil and Gas Limited	-	(12,588)
Interest on loan	**(1,169)**	(334)
Balance at end of period	**(25,306)**	(15,745)
Star Energy Limited:		
Balance at beginning of period	**6,642**	-
Net cash advances	**5,676**	6,727
Services performed by related company	**(2,069)**	(85)
Balance at end of period	**10,249**	6,642
Star Energy Weald Limited:		
Balance at beginning of period	**(18,868)**	-
Net cash Advances	**38,101**	1,943
Services performed by related company	**254**	-
Arising on acquisition of assets	-	(20,297)
Interest on loan	**(1,655)**	(514)
Balance at the end of period	**19,359**	(18,868)

Star Energy Oil and Gas Limited:		
Balance at beginning of period	**(58,233)**	-
Arising on acquisition of assets	-	(56,873)
Interest on loan	**(4,477)**	(1,360)
Balance at the end of period	**(59,798)**	(58,233)
Island Gas (Singleton) Limited:		
Balance at beginning of period	-	-
Arising on acquisition of assets	**28,424**	-
Balance at the end of period	**28,424**	-

Payment terms are as mutually agreed between the Company's companies.

(c) 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 Note 4 to the accounts. The amount payable to Directors at 31 March 2013 was £nil (31 March 2012: £nil).

There are no other related party transactions.

23 Subsequent events

On 14 March 2013, the Company announced its intention to settle oil hedges taken out with Macquarie Bank Ltd.

On the 10 April 2013, the Company successfully repaid all costs associated with closing out the oil hedges. The amount settled was US$15,061 thousand and included payment in relation to an amount accrued in March 2013.

24 Prior year adjustment

As described in note 7, the Company acquired certain licences and other assets, liabilities and trade from other subsidiaries within the Group. The acquisition was at fair value and consideration was given in the form of an interest bearing loan. Subsequently, it has been determined that that PPE was overstated by £4.3m, which has been treated as a prior year error and therefore corrected as a prior year adjustment. As the amount of the consideration was defined as the fair value of the net assets acquired intercompany borrowings have been reduced by £4.3m at the acquisition date.

The restatement had the following effect on the Company financial statements as at 31 March 2012 and for the fifteen months then ended.

	As originally reported £'000	Adjustment £'000	As Restated £'000
Income statement for the fifteen months ended 31 March 2012			
Interest receivable and similar income	(2,478)	110	(2,368)
Balance sheet as at 31 March 2012			
Property, plant and equipment	102,380	(4,329)	98,051
Borrowings	(118,980)	4,439	(114,541)

Island Gas Limited's
Annual Returns
2012

Company Number 04962079

ISLAND GAS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTH PERIOD ENDED 31 MARCH 2012

ISLAND GAS LIMITED

Parent Company	IGas Energy Plc	
Directors	A P Austin J M Blaymires S D Bowler	Managing Director Director Director
Company Secretary	S S White	
Company Number	04962079	
Registered Office	7 Down Street Mayfair London W1J 7AJ	
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF	
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP	

Copies of Reports and Accounts
Further copies of this Report and Financial Statements can be obtained from Island Gas' Registered Office

ISLAND GAS LIMITED

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Directors' report

The Directors present their report together with the financial statements for the 15 months ended 31 March 2012 The accounting period is not comparable with the prior year as this 15 month period represents a long period of account to align the year end with the Parent Company

Operational highlights

- Safety
    - One year with no LTI (lost time incidents)
    - RoSPA Gold Medal award
    - Attained ISO 9001 and ISO 14001 certification
- Drilled 3 wells (DG-3, DG-4, Ince Marshes-1)
- Significant shale resource potential identified
- Coal bed methane (CBM) delivery appraisal on-going
- Production at year end of 2,700boepd
- 'Chase the barrels' initiative launched
- Integration of operations following the Nexen Exploration UK Ltd and Star Energy Company Limited acquisitions

Results and dividends
The Company's profit for the period after taxation but before costs of marking to market oil price derivatives was £7 million After adjusting for these items amounting to £18 5 million the total loss for the period was £11 5 million (2010 loss £0 1 million) The Directors do not recommend the payment of any dividend

Going Concern
The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance IGas has given certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis Their enquiries included consideration of the financial statements of IGas for the 6 months ended 30 September 2012, approved on 19 December 2012, which were prepared on a going concern basis and the fact that on 15 January 2013 IGas placed 24 3 million shares for 95p each and on 14 March 2013 IGas announced it had arranged the issue of a bond for $165 million

Business review and future developments

Island Gas Limited ("IGL") now has a leading position in both unconventional and conventional hydrocarbons on-shore in Britain The early indications of the potential from the shale resource within our acreage show that it could be large enough to materially reduce Britain's reliance on imported gas

In December 2011, IGL acquired the remaining percentage ownership interests in twelve Petroleum and Exploration Development Licences ("PEDLs") and one Seaward Petroleum Production Licence ("SSPL") from IGas Exploration U K Limited, making IGL the operator and 100% owner of each of its licences across Britain and increasing its Contingent Recoverable Resource 2C (P50) by 115% to 1,736bcf or 290 million barrels of oil equivalent (boe)

In December 2011, IGL also completed the acquisition of the producing oil and gas assets and trade of Star Energy Weald Basin and Star Energy Oil and Gas producing oil and gas assets creating a substantial onshore oil and gas company

Operational activity

Hydrocarbons from unconventional sources have transformed the global market The results of this year's work programme, particularly from our well at Ince Marshes, are potentially transformational for the Company Here we logged and took samples over a c 1,000ft shale section and have now interpreted these results This has led to a more than doubling of the pre drill estimate of gas initially in place Following a number of unsolicited expressions of interest, from companies with both significant shale exposure and expertise, we appointed investment bank Greenhill to secure industry partners for the development of our acreage in the Bowland Shale

We continue with the testing of our coal bed methane (CBM) assets The wells at Doe Green are currently dewatering

Our conventional production assets acquired in the period offer the opportunity to maintain and potentially enhance current production levels To maximise this opportunity we have launched a 'chase the barrels' initiative to assess the existing fields and well stock so as to engineer potential projects based on current production technology and a better understanding of the sub surface

ISLAND GAS LIMITED

With assets ranging from mature discoveries made more than 50 years ago, to unconventional resources only now recoverable as a result of technical advances in oil field practices, Island Gas Ltd has a very significant position in discovered and potentially deliverable hydrocarbon resources across Britain

North West / Staffs

In the North West and Staffordshire we have more than 500,000 acres under licence, which are primarily for the development of unconventional resources The size of the CBM resource has been demonstrated and its delivery potential is currently being appraised As regards shale, this year's activity has begun the appraisal of the potential

Within this area we have drilled a total of ten wells and have an extensive library of other borehole data and pre-existing 2D and 3D seismic With 7 sites already permitted and a similar number being pursued in the area, we are well positioned to develop these resources close to markets and customers once the appraisal phase is completed and repeatable commercial flow rates have been demonstrated from both the coal and shale horizons

East Midlands

In the East Midlands we have two primary production centres Welton and Gainsborough / Beckingham

Hydrocarbons have been produced in the East Midlands since 1959 and current production from this area accounts for approximately 60% of the Company's total current production
The Welton area is made up of six fields and a gathering centre where the produced oil, gas and water are separated The produced oil is transported to Conoco Immingham via road tanker, gas is used for power generation and produced water is pumped for reinjection
The Gainsborough / Beckingham area is made up of eleven fields and a processing facility Oil is transported to Conoco Immingham via road tanker, gas is piped to Gainsborough-1 for power generation and produced water is pumped for reinjection

Weald Basin

The Weald basin is the source of approximately 40% of our current production, with 8 fields ranging from Stockbridge in the west, near Winchester, to Palmers Wood near Gatwick in the East The area has produced more than 29 million barrels of oil to date Our 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 IGas with a valuable additional revenue stream

North West / Staffs	**East Midlands**	**Weald Basin**
Number of fields 2	Number of fields 17	Number of fields 8
Total barrels of oil produced to date Under appraisal	Total barrels of oil produced to date >31 million	Total barrels of oil produced to date >29 million
Potential production sites (approved permits) 7	Production sites 80	Production sites 17

Company proved plus probable reserves

The Company's estimates of proven and probable reserve quantities are taken from the Company's Competent Person's evaluation reports for the Company's oil fields as of 1 July 2011 and 31 December 2011 together with production data thereafter 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

	Oil mmbbls	**Gas Bcf**	**Total mmboe**
At 1 January 2011	0 00	0 00	0 00
Acquired during the year	9 20[1]	8 70	10 70
Revisions of estimates after acquisition	0 99	(0 49)	0 91
Production	(0 04)	0 00	(0 04)
At 31 December 2011 per Senergy CPR	10 15	8 21	11 57
Production	(0 24)	0 00	(0 24)
At 31 March 2012	9 91	8 21	11 33

Note 1 Senergy CPR as at 1 July 2011 9 63 mmbbl less production between 1 July 2011 and 14 December 2011 0 43 mmbbl

Senergy was requested to provide an update to its 2011 independent evaluation of the recoverable hydrocarbons expected for each asset categorised 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")

ISLAND GAS LIMITED

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

Directors and their interests
The Directors who served during the fifteen months were as follows

A P Austin	
J M Blaymires	(appointed 4 March 2011)
S D Bowler	(appointed 1 November 2011)
F R Gugen	(resigned 4 March 2011)
B Cheshire	(resigned 4 March 2011)

As at 31 March 2012 none of the Directors held any interests in the shares of the Company (2010 none)

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 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 54 of the Company's Articles of Association as adopted on 5 October 2009 These provisions remained in force throughout the year and remain in place at the date of this report

Substantial shareholders
The Company is a wholly owned subsidiary of IGas Energy plc

Principal risks and uncertainties
- The Company is exposed to market price risk through variations in the wholesale price of oil in the context of the production from oil fields it now owns and operates The Company has entered into a series of oil price swaps until 31 December 2017 which have fixed the price of 1,023,829 barrels of oil at an average Brent price of US$93 40 per barrel and a further 1,251,344 barrels at an average Brent price of GB£58 80 per barrel The Board will continue to monitor the benefit of such contracts
- The Company is also exposed to market price risk through variations in the wholesale price of gas and electricity in the context of its future unconventional production volumes Currently the Company has not entered into any forward contracts to fix the prices of these commodities The Board will continue to monitor the benefit of entering into such contracts at the appropriate time
- The Company is exposed to exchange rate risk through its major source of revenue being priced in US$ The GB£ oil price swaps have been taken out in order to mitigate this risk as it affects the need to fund operating costs fixed in GB£
- The Company is exposed to interest rate risk through its borrowings
- The Company is exposed, through its operations, to liquidity risk, which is managed by the Board who regularly review the Company's cash forecasts and the adequacy of available facilities to meet the Company's cash requirements
- The Company 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 Company's assets or that oil or gas can be delivered economically The Company considers that such risks are mitigated given its assets are located in established oil and gas producing areas coupled with the extensive expertise and experience of its operating team
- The Company is exposed to planning, environmental, licensing and other permitting risks associated with its operations and, in particular, with drilling and production operations The Company considers that such risks are mitigated through compliance with regulations and the expertise and experience of its operating team
- The Company 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

Environment, health and safety
The Company is committed to preserving the environment and to ensuring we provide safe and healthy work conditions for all our employees and contractors

Financial instruments
The Company'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 Notes 11 to 14 to the financial statements The Company's financial risk management objectives are set out in Note 17 to the financial statements

Creditor payment policy and practice

It is the Company's normal practice to agree payment terms with its suppliers and abide by such terms Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with the relevant contractual conditions The amount owed by the Company to trade creditors at the end of the financial year represented 17 days of daily purchases for the Company (2010 12 days)

Status

The Company is not a close company as defined in the Income and Corporation Taxes Act 1988

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

Post Balance Sheet Events

There have been no events occurring since 31 March 2012 requiring disclosure or adjustment

Auditors

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

Directors' statement as to disclosure of information to the auditors

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
S S White
Secretary
26 March 2013

Island Gas Limited
Registered Office
7 Down Street
London
W1J 7AJ

Registered in the United Kingdom number 04962079

Statement of directors' responsibilities in relation to the Company's financial statements

The Directors are responsible for preparing the Company's 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's financial statements unless they are satisfied that they present fairly the financial position of the Company and its financial performance and cash flows for that period In preparing the Company's 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 Company's financial position and financial performance,
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements,
- make judgments and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business

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

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

ISLAND GAS LIMITED

Independent auditor's report to the members of Island Gas Limited

We have audited the company financial statements of Island Gas Limited for the fifteen months ended 31 March 2012 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 22 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 Statement of directors' responsibilities in relation to the Company's financial statements set out on page 8, the directors are responsible for the preparation of the company's 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 company's 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the company financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the fifteen months 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 matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the company's 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

Ernst + Young LLP

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

27 March 2013

Income statement
For the 15 months ended 31 March 2012

	Notes	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Revenue	2	**19,894**	535
Cost of sales			
Depletion, depreciation and amortisation		**(3,126)**	-
Other costs of sales		**(6,166)**	(468)
Total cost of sales		**(9,292)**	(468)
Gross profit		**10,602**	67
Administrative costs		**(1,025)**	(212)
Other income		**24**	-
Loss on oil price swaps		**(18,512)**	-
Operating loss	3	**(8,911)**	(144)
Finance income	5	**14**	-
Finance costs	5	**(2,479)**	-
Net finance (costs)/income		**(2,465)**	-
Loss on ordinary activities before tax		**(11,375)**	(144)
Income tax credit	6	**-**	-
Loss from continued operations attributable to equity shareholders of the Company		**(11,375)**	(144)

Statement of comprehensive income
For the 15 months ended 31 March 2012

	15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Loss for the period	(11,375)	(144)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	(11,375)	(144)

ISLAND GAS LIMITED

Balance sheet
As at 31 March 2012

	Notes	31 March 2012 £000	31 December 2010 £000
Non-current assets			
Intangible exploration and evaluation assets	8	57,198	4,716
Property, plant and equipment	9	102,380	173
		159,578	4,889
Current assets			
Inventories	10	404	-
Trade and other receivables	11	15,672	295
Cash and cash equivalents	12	95	315
		16,171	610
Current liabilities			
Trade and other payables	13	(33,347)	(5,268)
Current tax liabilities	6	-	-
Finance lease liability	16	(51)	-
Derivative financial instruments	17	(8,301)	-
		(41,699)	(5,268)
Net current liabilities		(25,528)	(4,658)
Total assets less current liabilities		134,050	231
Non-current liabilities			
Borrowings	14	(118,980)	-
Derivative financial instruments	17	(7,860)	-
Deferred tax liabilities	6	-	-
Provisions	15	(18,356)	(72)
		(145,196)	(72)
Net (liabilities)/assets		(11,146)	159
Capital and reserves			
Called up share capital	18	1	1
Share premium account	19	44	44
Other reserves	19	113	43
(Accumulated deficit)/retained earnings		(11,304)	71
Shareholders' funds		(11,146)	159

These financial statements were approved and authorised for issue by the Board on 26 March 2013 and are signed on its behalf by

S Bowler
Director

Statement of changes in equity
For the 15 months ended 31 March 2012

	Called up share capital (Note 24) £000	Share premium account £000	Other reserves £000	Retained earnings (accumulated deficit) £000	Total £000
Balance at 1 January 2010	**1**	**44**	**-**	**215**	**260**
Changes in equity for 2010					
Total comprehensive loss for the year	-	-	-	(144)	(144)
Employee share plans cost under IFRS 2 (note 20)	-	-	43	-	43
Balance at 31 December 2010	**1**	**44**	**43**	**71**	**159**
Changes in equity for 2011					
Total comprehensive loss for the period	-	-	-	(11,375)	(11,375)
Employee share plans cost under IFRS 2 (note 20)	-	-	70	-	70
Balance at 31 March 2012	**1**	**44**	**113**	**(11,304)**	**(11,146)**

ISLAND GAS LIMITED

Cash flow statement
For the 15 months ended 31 March 2012

	Notes	15 months ended 31 March 2012 £000	Year ended Decem[b] 20 £0
Operating activities			
Loss before tax for the period/year		**(11,375)**	(14[4]
Depreciation, depletion and amortisation	3	**3,126**	
Share based payment charge		**13**	1[7]
Loss on derivative financial instruments		**16,160**	
Finance income	5	**(4)**	
Finance costs	5	**2,479**	
Increase in trade and other receivables		**(3,895)**	(11[6]
(Increase)/decrease in trade and other payables, net of accruals related to investing activities		**(536)**	5[5]
Decrease in inventories		**715**	
Impairment of intangible exploration & evaluation assets		**42**	
Abandonment costs incurred		**(41)**	
Taxation paid		**(2,307)**	
Net cash used in operating activities		**4,377**	(18[8]
Investing activities			
Acquisition of exploration and evaluation assets		**(17,345)**	(3,60[8]
Acquisition of property, plant and equipment		**(600)**	(22[0]
Interest received		**4**	
Net cash used in investing activities		**(17,941)**	(3,82[8]
Financing activities			
Cash proceeds from loans and borrowings		**13,365**	4,31[4]
Repayment of finance lease/hire purchase agreement		**(21)**	
Net cash from financing activities		**13,344**	4,31[4]
Net (decrease)/increase in cash and cash equivalents in the period/year		**(220)**	29[8]
Net foreign exchange difference		**-**	
Cash and cash equivalents at the beginning of the period/year		**315**	1[7]
Cash and cash equivalents at the end of the period/year	12	**95**	31[5]

During the year the Company acquired certain assets, liabilities and trade for which the consideration was intercompany borrowings and not cash Details of these transactions are in Note 7

Notes to the financial statements

1 Accounting policies

(a) Basis of preparation of financial statements

These financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards, adopted for use by the European Union (IFRS) as they apply to the Company for the 15 months ended 31 March 2012 and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS The accounting periods are not comparable with the prior year as this 15 month period represents a long period of account to align to the year end of the Parent Company The accounts were approved by the Board and authorised for issue on 26 March 2013

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

During the period, the Company adopted the following new and amended IFRS which were applicable to the Company's activities as of 1 January 2011

International Accounting Standards

IAS 24	Amendment to IAS 24 – Related Party Disclosures – This amendment clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application The revised standard introduces a partial exemption of disclosure requirements for government-related entities The Company has considered the effect of this interpretation and has concluded that there is no impact on the financial statements	1 January 2011

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011

- IAS 24 Related Party Disclosures
- IAS32 Financial Instruments Presentation
- IFRIC 14 Prepayments of a Minimum Funding Requirement

These amendments have no impact on the financial position or performance of the Company

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 2012 or later periods and which the Company has not adopted early Those that may be applicable to the Company in future are as follows

		Effective date*
International Accounting Standards (IFRS/IAS)		
IAS 1	Amendment to IAS 1 – Financial Statement Presentation – This amendment changes the Companying of items presented in the 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 will have no impact on the Company's financial position or performance	1 July 2012
IFRS 9	IFRS 9 – Financial Instruments Classification and Measurement – IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39 The standard is effective for annual periods beginning on or after January 2013 In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture	1 January 2015
IFRS 7/IAS 32	IFRS 7/IAS 32 -The amendments to IAS 32 and 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 clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014 The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013 The Company is currently assessing the impact that these amendments will have on the financial position	1 January 2013 1 January 2014

IFRS 11	IFRS11 - Joint Arrangements – IFRS11 establishes principle of the financial reporting by parties to a joint arrangement IFRS 11 supersedes IAS31 It removes the option for jointly controlled entities (JCE) using proportionate consolidation	1 January 2013
IFRS 12	IFRS12 - Disclosures of involvement with other entities - IFRS12 combines, enhances and replaces the disclosure requirement for subsidiaries, joint arrangements, associates and in consolidated structured entities	1 January 2013
IFRS 13	IFRS 13 – Fair Value Measurement – IFRS13 defines fair value, setting out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements IFRS 13 applies when other IFRSs require or permit fair value measurements It does not introduce any new requirements to measure an asset or liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value	1 January 2013
IAS 28	IAS28 - Investments in Associates and Joint Venture- IAS28 has been renamed as a consequence of the new IFRS 11 and IFRS 12 and describes the application of the method to investments in joint venture in addition to associates	1 January 2013
IAS 27 Revised	IAS 27 Revised – Consolidated and Separate Financial Statements The objective of the Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements	1 January 2013

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

The Directors do 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 is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis Their enquiries included consideration of the financial statements of IGas for the 6 months ended 30 September 2012, approved on 19 December 2012, which were prepared on a going concern basis, IGas' subsequent placing of shares and subsequent arrangement of a bond issuance

(c) Joint ventures

A small proportion of the Company'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 Company accounts for its share of assets, liabilities, income and expenditure of these jointly controlled assets, 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 the carried interests as described at (g) below Where the Company enters into a farm-up agreement involving a licence in the exploration and evaluation phase, the Company 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

(d) Significant accounting judgements and estimates

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the 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 Company has identified the following areas where significant judgements, estimates and assumptions 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 Company has capitalised intangible exploration and evaluation assets in accordance with IFRS 6, which are evaluated for impairment as described at (g) 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 Companys Intangible exploration and evaluation assets are disclosed in note 8

- Carrying value of property, plant and equipment

  Management reviews the Company's property, plant and equipment periodically for impairment indicators The determination of recoverable amounts in any 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 and production and reserves, discussed further below

- 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 gas and oil property, plant and equipment as well as being a significant estimate affecting decommissioning provisions and impairment calculations 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 proven and probable reserves, forecast price levels and technology at the balance sheet date Provision is made for the estimated cost at the balance sheet date, using discounted cash flow methodology and a risk free rate of return

- 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 This can have a significant impact on the results of the Company based on the foreign currency translation methods used

(e) 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

(f) Revenue

Revenue comprises the invoiced value of goods and services supplied by the Company, 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, in which the Company has an interest with other producers, is recognised based on the Company'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 Company, the measurement of the revenue depends upon whether physical title to the oil passes to the Company or whether the Company simply acts an 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

(g) Non-current assets

Intangible exploration and evaluation assets

The Company accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 "*Exploration for and Evaluation of Mineral Resources*" as follows

- Exploration and evaluation assets are carried at cost less any impairment and are not depreciated or amortised
- 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, materials and consumables, equipment costs and payments made to contractors
- 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
- 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
- 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

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

- 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 Company's interests in oil and gas properties are assessed for indications of impairment whenever events or changes in circumstances indicate 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
- Net proceeds from any disposal of development/producing assets are compared to the previously capitalised costs for the relevant asset or Company 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 Company 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 Company generally relies on fair value less cost to sell assessed either by reference to comparable market transactions between a willing buyer and a willing seller or on the same basis as used by willing buyers and sellers in the oil and gas industry When assessing value in use, 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 Company's non-current liabilities A corresponding asset is included in the appropriate category of the Company'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 or depleted in accordance with the Company's policies as set out above

Carried interests
Where the Company has entered into carried interest agreements in exploration and evaluation projects and the Company'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 Company's share of production, the Company 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 Company 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 Company less accumulated depreciation Depreciation is provided on such assets, with 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 Company does not capitalise amounts considered to be immaterial

(k) 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

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

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 Company has entered into swaps to manage its exposure to variability in the price and foreign exchange rate risk associated with a proportion of its newly acquired crude oil production for the next 6 years
All derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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

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

(l) 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

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 profit or loss in the period in which they are incurred

(m) 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 on a straight line basis over the period of the lease

Finance leases
Assets under finance leases are included under 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

(n) 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

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

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities Taxable (loss)/profit differs from the (loss)/profit 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 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 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

(p) Share based payments
Where share options are awarded to employees (including Directors) of IGas Energy plc, the proportion of the fair value of the options (for the services provided to the Company) at the date of the grant is recorded in the Company's equity over the vesting period

Charges corresponding to the amounts recognised in equity are accounted for as a cost against profit and loss unless the services rendered (and discharged by share-based payments) 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

(r) 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

(s) Foreign currency
The consolidated financial statements are presented in UK pound sterling, which is the company's functional currency The Company does not have any foreign operations Transactions denominated in currencies other than the 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

All revenue which represents turnover arises within the United Kingdom and relates to external parties The Company's revenue relates to the sale of oil and gas in the UK £19 9 million of the Company's revenue was derived from two customers (2010 £0 6 million)

3 Operating loss

		15 months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Operating loss is stated after charging			
Depletion, depreciation and amortisation		**3,126**	-
Impairment of intangible exploration & evaluation assets	8	**42**	-
Auditor's remuneration			
Audit of the financial statements		**36**	15
Operating leases			
Land and buildings		**410**	-
Other		**51**	-

4 Directors' and Employees

The company does not have any employees (2010 none)

During the period the Parent Company charged £793 thousand (2010 £281 thousand) for the services performed by the Directors Services related to the Company's intangible exploration and evaluation assets and £33 thousand were capitalised in accordance with the Company's accounting policy (2010 £281 thousand)

5 Finance income and costs

	15 months ended 31 March 2012	Year ended 31 December 2010
	£000	£000
Finance income		
Interest on short-term deposits	4	-
Foreign exchange gains	10	-
Finance income recognised in income statement	14	-
Finance expense		
Finance lease charges	1	-
Interest on borrowings	2,209	-
Interest expense	2,210	-
Unwinding of discount on provisions	269	-
Finance expense recognised in income statement	2,479	-

6 Tax credit on loss on ordinary activities

	15 months ended 31 March 2012	Year ended 31 December 2010
	£000	£000
UK corporation tax		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax charge / (credit)	-	-
Deferred tax		
Current year (credit)	-	-
Charge/(credit) in relation to prior periods	-	-
Total deferred tax (credit)	-	-
Tax (credit) on profit or loss on ordinary activities	-	-

Factors affecting the tax charge or (credit)

The tax assessed for the year does not reflect a credit equivalent to the loss on ordinary activities multiplied by the rate of corporation tax and supplementary charge for ring-fenced businesses in the United Kingdom of 62% (2010 21%) A reconciliation of the UK statutory corporation tax rate applicable to the Company's loss before tax to the Company's total tax credit is as follows

	15 months ended 31 March 2012	Year ended 31 December 2010
	£000	£000
(Loss) on ordinary activities before tax	**(11,375)**	(144)
Expected tax (credit) based on loss on ordinary activities multiplied by the combined rate of corporation tax and supplementary charge in the UK of 62% (2010 21%)	(7,053)	(30)
Tax effect of expenses not allowable for tax purposes	607	
Tax effect of expenses not allowable for supplementary charge purposes	817	-
Group relief	92	-
Impact of profits or losses tax at different rates	(127)	-
Increase in unrecognised losses carried forward	5,664	30
Tax charge/(credit) on loss on ordinary activities	-	-

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

	31 March 2012 £000	31 December 2010 £000
Accelerated capital allowances	13,436	-
Tax losses carried forward	(18,754)	-
Decommissioning provision	(36)	-
Unrealised gains or losses on derivative contracts	(10,019)	
Share based payments	(17)	-
Unrecognised Losses	15,390	
Other	-	-
Deferred tax liabilities	-	-

In addition to the increase in the rate of supplementary charge the Government announced in the 2011 budget its intention to restrict the rate of relief on decommissioning expenditure for supplementary charge purposes to 20% Draft legislation in respect of this restriction was published on 6 December 2011 and the change was enacted in the Finance Bill 2012 The restriction in supplementary charge relief is therefore not substantively enacted at the balance sheet date and as such, the company has accounted for deferred tax on its decommissioning balances at 62%

7 Acquisitions

As part of a Group wide restructure, the company acquired certain licences and other assets, liabilities and trade from other subsidiaries of the Group

Assets and associated trade acquired from IGas Exploration UK Limited

On 19 December 2011, the Company acquired the equity interests not previously held in PEDL's 145, 56-1, 78-2, 115, 116, 184, 190 and 193 from its sister company IGas Exploration UK Ltd The acquisition was made in pursuance of the Company's strategy to secure operatorship and 100% ownership of all its assets

The purchase consideration (satisfied by a non-interest bearing loan, where repayment terms will be mutually agreed by IGas Exploration UK Limited and IGL in the future) of £29 9 million has been allocated against the identifiable assets and liabilities purchased on the basis of their fair values at the date of purchase

	£'000
Assets	
Intangible exploration and evaluation assets	30,089
Trade and other receivables	52
Liabilities	
Trade and other payables	(46)
Provisions	(149)

Assets and associated trade acquired from Star Energy Oil and Gas Limited

On 19 December 2011, the Company acquired the assets and associated trade from related company Star Energy Oil and Gas Limited The acquisition added a portfolio of 17 UK onshore licences, with an inventory of operational wells and a number of development and exploration opportunities

The purchase consideration (satisfied by a loan bearing interest at 8% above LIBOR, where repayment is agreed mutually between parties which, per facility agreements entered into on 30 March 2012, is repayable on 30 March 2019- see Note 14) of £53 9 million has been allocated against the identifiable assets and liabilities purchaesd on the basis of their fair values at the date of purchase

	£'000
Assets	
Intangible exploration and evaluation assets	10
Property, plant and equipment	69,404
Cash and cash equivalents	93
Inventories	844
Trade and other receivables	13,263
Liabilities	
Trade and other payables	(12,010)
Current tax liabilities	(5,470)
Provisions	(12,275)

Assets and associated trade acquired from and Star Energy Weald Basin Limited

On 19 December 2011, the Company acquired the assets and associated trade from related company Star Energy Weald Basin Limited The acquisition added a portfolio of 8 UK onshore licences, with an inventory of operational wells and a number of development and exploration opportunities

The purchase consideration (satisfied by a loan bearing interest at 8% above LIBOR, where repayment is agreed mutually between parties which, per facility agreements entered into on 30 March 2012, is repayable on 30 March 2019- see Note 14) of £32 7 million has been allocated against the identifiable assets and liabilities on the basis of their fair values at the date of purchase

	£'000
Assets	
Intangible exploration and evaluation assets	3,766
Property, plant and equipment	35,326
Cash and cash equivalents	1,284
Inventories	235
Trade and other receivables	1,948
Liabilities	
Trade and other payables	(4,480)
Current tax liabilities	(4)
Provisions	(5,341)

8 Intangible exploration and evaluation assets

	Exploration and evaluation £000
Cost	
At 1 January 2010	1,334
Additions	3,382
At 31 December 2010	4,716
Additions	18,659
Acquisitions (Note 7)	33,865
At 31 March 2012	57,240
Amortisation	
At 1 January 2010	-
Charge for the period	-
At 31 December 2010	-
Charge for the period	-
Impairment	42
At 31 March 2012	42
Net book amount	
At 31 December 2010	4,644
At 31 March 2012	57,198

During the period an impairment charge amounting to £42 thousand was made relating to expenditure on a site where no future exploration is planned

9 Property, plant and equipment

	Equipment Used for Exploration and Evaluation £000	Freehold land £000	Buildings/ leasehold property improvements £000	Oil and gas properties £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost							
At 1 January 2010	-	-	-	-	-	-	-
Additions	179	-	-	-	-	-	179
At 31 December 2010	179	-	-	-	-	-	179
Additions	-	-	-	592	-	8	600
Disposals	-	-	-	-	-	(8)	(8)
Acquisitions	-	826	538	102,076	104	1,206	104,750
At 31 March 2012	179	826	538	102,668	104	1,206	105,521
Depreciation							
At 1 January 2010	-	-	-	-	-	-	-
Charge for the period	6	-	-	-	-	-	6
At 31 December 2010	6	-	-	-	-	-	6
Charge for the period	25	-	337	2,679	10	92	3,143
Disposals	-	-				(8)	(8)
At 31 March 2012	31	-	337	2,679	10	84	3,141
Net book amount							
At 31 December 2010	173	-	-	-	-	-	173
At 31 March 2012	148	826	201	99,989	94	1,122	102,380

Included in the total net book value of fixed assets is £210 thousand (2010 - £nil) in respect of assets held under finance leases and similar hire purchase contracts Depreciation for the period on these assets was £12 thousand (2010 - £nil)

Under the terms of the facility agreement between the Parent Company and Macquarie Bank, Macquarie Bank Limited has a fixed and floating charge over all these assets

10 Inventories

	31 March 2012 £000	31 December 2010 £000
Oil Stock	**117**	-
Drilling materials	**42**	-
Maintenance materials	**245**	-
	404	-

11 Trade and other receivables

	31 March 2012 £000	31 December 2010 £000
VAT recoverable	**989**	222
Trade debtors	**5,316**	-
Accrued income	**-**	49
Other debtors	**33**	-
Amount due from affiliates	**8,670**	-
Prepayments	**664**	24
	15,672	295

The carrying value of the Company's trade and other receivables as stated above is considered to be a reasonable approximation of their fair value Amounts due from affiliates are not considered financial assets under IFRS as there are no contracts in place scheduling repayments

The Company's financial assets as stated above have been reviewed for indicators of impairment and no impairment provision was found to be required (2010 nil) The ageing of trade debtors and other debtors is as follows

	31 March 2012 £000	31 December 2010 £000
Not yet due	5,349	-
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	-	-
	5,349	-

12 Cash and cash equivalents

	31 March 2012 £000	31 December 2010 £000
Cash at bank and in hand	95	315
	95	315

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, with the exception of banks where the UK government is the major shareholder

13 Current liabilities

	31 March 2012 £000	31 December 2010 £000
Trade and other payables		
Trade creditors	**3,443**	132
Amount due to affiliates	**27,729**	5,034
Accruals	**2,175**	102
	33,347	5,268

The carrying value of each of the Company's financial liabilities is considered to be a reasonable approximation of its fair value All trade creditors are payable within one month and no creditors have been outstanding for longer than three months (2010 all within one month) Amounts due to affiliates are not considered financial liabilities under IFRS as there are no contracts in place scheduling repayments

14 Borrowings

	31 March 2012			31 December 201(	
	Within 1 year £000	Greater than 1 year £000	Total £000	Within 1 year £000	Greater than 1 year £000
Borrowings – Star Energy Group Ltd		13,622	13,622		
Borrowings – Star Energy Weald Ltd	-	20,812	20,812	-	-
Borrowings – Star Energy Oil & Gas Ltd	-	55,068	55,068	-	-
Borrowings – IGas Exploration UK Ltd - non interest bearing	-	29,478	29,478	-	-
	-	118,980	118,980	-	-

On 30 March 2012 the Company entered into facility agreements (maturing 30 March 2019) with following related companies,

Star Energy Group Ltd
(i) A facility up to an amount of £60,000,000, carrying interest at 8% above LIBOR,
(ii) A facility up to an amount of £20,000,000, carrying interest at 8% above LIBOR

Star Energy Weald Ltd
(i) A facility up to an amount of £66,000,000, carrying interest at 8% above LIBOR

Star Energy Oil and Gas Limited
(i) A facility up to an amount of £84,000,000, carrying interest at 8% above LIBOR

The debt payable to IGas Exploration UK Limited does not have set repayment terms However, the Directors have received confirmation from IGas Exploration UK Limited that this will not be repayable within one year

The ability for these companies to provide under the facilities is at the discretion of and requires the support of the Parent Company The amounts due to Star Energy Weald Basin and Star Energy Oil and Gas Limited are consideration for the acquisition of assets and liabilities from these companies (see note 7) The Company's financing under the facility agreements are denominated in UK pound sterling

15 Provisions for liabilities and charges

	31 March 2012			31 December 2010		
	Decommissioning £000	Other £000	Total £000	Decommissioning £000	Other £000	Total £000
At the beginning of the period	72	-	72	-	-	-
New provisions	107	-	107	72	-	72
Acquisitions	17,765	160	17,925	-	-	-
Unwinding of discount	269		269	-	-	-
(Utilisation)/write back of provision	43	(60)	(17)	-	-	-
At the end of the period	18,256	100	18,356	72	-	72

Provision has been made for the discounted future cost of restoring producing fields to a condition acceptable to the relevant authorities The abandonment of the fields is expected to happen at various times between one to 35 years from the period end Other provisions relate to land

16 Commitments

The Company's capital and lease commitments comprised

	31 March 2012 £000	31 December 2010 £000
Capital Commitment		
Obligation under 13th licensing round	**2,000**	1,000
Decommissioning	-	26
Less Amounts covered by Nexen Carry Agreements	-	(141)
	-	885
Obligation under the 11 December 2009 farm-up agreement with Nexen	-	2,036
Total capital commitments	**2,000**	2,921

Under certain agreements (the "Nexen Carry Agreements") which the Company had in place with Nexen Exploration U K Limited ("Nexen", and subsequently renamed IGas Exploration UK Limited following the acquisition of this company by IGas Energy plc on 9 March 2011) as at 31 December 2010, Nexen provided 100% of the funding required for work programmes up to a gross spend of £26 5 million The remaining balance as at 31 December 2010 was £141,000

On 5 August 2009 and 11 December 2009 the Company entered into farm-up agreements with Nexen (the "Farm-up Agreements"), under which the IGas Energy Group had agreed to meet 100% of certain costs incurred in relation to certain licences, thereby discharging what, but for these agreements, would have been Nexen's share of such licence costs

The first farm-up agreement included spend of up to £2 million which was not a firm commitment In December 2011, the Company acquired all assets and trade of IGas Exploration UK Limited, thereby transferring all remaining balances within the Company

The Company has entered into finance leases to acquire property, plant and equipment with a net book value of £210,000 (2010 - £nil) These leases have terms of renewal but no purchase options or escalation clauses Renewals are at the option of the lessee Future minimum lease payments under finance leases are set out below

	31 March 2012 £000	31 December 2010 £000
Future minimum lease payments payable within		
1 year	**52**	-
1-2 years	-	-
2-3 years	-	-
	52	-
Less finance charge	1	-
Net obligations	**51**	-
Of which - payable within 1 year	**51**	-
- payable within 1 to 2 years	-	-
- payable within 2 to 3 years	-	-
	51	-

Security is given for net obligations under finance leases falling due within one year and after more than one year with a fixed charge over the relevant assets of the Company relative to the amount outstanding

Operating lease commitments

Minimum lease payments under operating leases recognised in profit for the year	461	-
At the balance sheet date the Company had minimum lease payments under non-cancellable operating lease for each of the following years		
- expiring within 1 year	158	-
- expiring within 1 to 5 years	254	-
Total	412	-

Leases relate to equipment

17 Financial instruments and risk management

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the financial instruments that are carried in the balance sheet

	Carrying amount		Fair value	
	31 March 2012	31 December 2010	31 March 2012	31 December 2010
	£000	£000	£000	£000
Financial assets				
Loans and receivables				
Cash and cash equivalents[1]	95	315	95	315
Trade and other receivables[1]	5,349	-	5,349	-
Financial liabilities				
Amortised cost				
Finance lease[2]	51	-	51	-
Borrowings from affiliates (floating rate)	89,502	-	89,502	-
Borrowings from affiliates (non-interest bearing)	29,478	-	29,478	-
Trade and other payables[1]	3,443	132	3,443	132
Fair value through profit and loss				
Commodity price swaps[3]	16,161	-	16,161	-

[1] The carrying values of cash and cash equivalents, short-term receivables and payables are considered to approximate their fair values as the effect of discounting is not material

[2] The fair value of finance leases has been calculated by discounting the expected future cash flows at prevailing market interest rates for instruments with substantially the same terms and characteristics

[3] Some 55% of the commodity price swaps include an embedded foreign currency forward which has not been accounted for or valued separately

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique

- 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

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

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
At 31 March 2012				
Commodity price swaps	-	16,161	-	16,161
Total	**-**	**16,161**	**-**	**16,161**
At 31 December 2010				
Commodity price swaps	-	-	-	-
Total	**-**	**-**	**-**	**-**

Derivative financial instruments

The Company enters into certain swap contracts in order to manage its exposure to commodity price risk and foreign exchange risk associated with sales of oil in US dollars

The outstanding contracts as at 31 March 2012 are as follows

	Term	Contract amount	Contract price/rate	Average Fixed Price/Rate	Fair value at 31 March 2012 £000
US dollar commodity price swaps	2012-2017	908 Mbbls oil	$90-$96/bbl	$92 94/bbl	7,340
Pound sterling commodity price swaps	2012-2017	1,001 Mbbls oil	£56 70-£60 75/bbl	£59 08/bbl	8,821

The Company's commodity price swaps mature over the period from 1 April 2012 to 31 December 2017 on contracted volumes that decline in line with the Company's 2P production profile During the period to 31 March 2012 oil hedges for 146 thousand barrels matured generating a net charge of £2 3 million (2010 nil)

As no derivative instrument has been designated for hedge accounting, all gains and losses are recognised immediately in the income statement

Financial risk management

The Company's principal financial liabilities, other than derivatives, comprise borrowings from affiliates and trade and other payables The main purpose of these financial liabilities is to finance the Company's operations including the Company's capital expenditure programme and to fund acquisitions The Company has trade and other receivables and cash and cash equivalents that are derived directly from its operations 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 commodity price, 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 prices, such as commodity price risk, interest rate risk and foreign currency risk

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 Company'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 2012 and 31 December 2010, 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 Company 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 Company's policy is to manage these risks through the use of derivative financial instruments (commodity price swaps) to keep between 60% and 75% of its production over the next six years at a fixed price

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 the assumption that the crude oil price moves 10%, with all other variables held constant

	Increase/(decrease) in profit before tax for the period ended and to equity as at	
	31 March 2012 £000	31 December 2010 £000
10% increase in the price of oil	(12,300)	-
10% decrease in the price of oil	12,300	-

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings from affiliates with floating interest rates

The following table summarises the impact on profit before tax for changes in interest rates on the borrowings The impact on equity is the same as the impact on profit before tax

The analysis is based on the assumption that US-dollar LIBOR moves 50 basis points, with all other variables held constant

	Increase/(decrease) in profit before tax for the period ended and to equity as at	
	31 March 2012 £000	31 December 2010 £000
50 basis point increase in LIBOR	(459)	-
50 basis point decrease in LIBOR	459	-

Foreign currency risk

The Company has transactional currency exposures Such exposure arises from sales or purchases in currencies other than the UK pounds sterling, the functional currency of the Company The Company's sales are denominated in US dollars, and around 5% of costs are denominated in currencies other than the functional currency of the Company, primarily US dollars The Company manages this risk through the use of derivative financial instruments (commodity price swaps) which fix the price of a portion of oil sales in pounds sterling The commodity price swaps denominated in sterling account for 55% of the total production covered by commodity price swaps (the remainder are denominated in US dollars), fixing the exchange rate

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 period ended and to equity as at	
	31 March 2012 £000	31 December 2010 £000
10% strengthening of the pound against the US dollar	6,972	-
10% weakening of the pound against the US dollar	(6,972)	-

Credit risk

The Company trades only with recognised, creditworthy third parties It is the Company'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 Company's standard payment and delivery terms and conditions are offered The Company's review includes external ratings, when available, and in some cases bank and trade references

The exposure to credit risk from credit sales is not considered significant given the small number of well established credit customers and the low historic default rate

At 31 March 2012, the Company had 2 customers (31 December 2010 one) that owed the Company more than £2 5 million each and accounted for approximately 95% (31 December 2010 0%) 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 Company, which comprise cash and cash equivalents, 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 these assets by dealing only with financial institutions with credit ratings of at least A or equivalent

Refer to Note 11 for analysis of trade receivables ageing

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 2012 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 2012						
Borrowings	-	-	-	-	118,980	118,980
Trade and other payables	-	3,443	-	-	-	3,443
Derivative financial instruments						
Commodity price swaps	-	8,694	5,290	2,488	1,424	17,896
	-	12,137	5,290	2,488	120,404	140,319
At 31 December 2011						
Trade and other payables		132				132
	-	132	-	-	-	132

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 (2010 funding requirements through equity) and adjustments are made in light of changes in economic conditions The Company's capital structure changed in the period to 31 March 2012 as a result of the acquisitions it made and the related financing 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 intercompany loans less cash and cash equivalents Capital includes share capital, share premium, other reserves and accumulated losses

18 Share capital

	Ordinary Shares No	£000 Nominal value
Issued and fully paid		
1 January 2010 and 31 December 2010, Ordinary Shares of £1 each	**668**	**668**
31 March 2012, Ordinary Shares of £1 each	**668**	**668**

Accordingly, share capital and the share capital account comprised

	£000
Share capital account	
At 1 January 2010	**668**
Shares issued during the year	-
At 31 December 2010	**668**
Shares issued during the period	-
At 31 March 2012	**668**

19 Other Reserves

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 period the Company issued no Ordinary Shares (2010 £nil)
Other Reserves – Other reserves of the Company arises from the share options granted in connection with the IGas Energy plc Long Term Incentive Scheme ("LTIP") and share Option plan
Retained Earnings – This represents the historic accumulated losses less profits made by the Company

20 Share plans – Equity settled

Details of the share options under employee share plans outstanding during the year are as follows

	LTIP		2011 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 January 2010	-	-	-	-	-	
Granted during the Period	1,125,000	-	-	-	1,322,204	70
Forfeited during the Period	-	-	-	-	-	-
Exercised during the Period	-	-	-	-	-	-
Outstanding at 31 December 2010	1,125,000	-	-	-	1,322,204	70
Exercisable at 31 December 2010	-	-	-	-	-	-
Granted during the Period	-	-	2,107,485	-	-	-
Cancelled during the Period	(1,075,000)	-	-	-	(910,930)	70
Exercised during the Period	-	-	-	-	-	-
Outstanding at 31 March 2012	50,000	-	2,107,485	-	411,274	70
Exercisable at 31 March 2012	-	-	-	-	-	-

Long Term Incentive Plan 2010 ("LTIP")

In October 2010 the Parent Company adopted a Long Term Incentive Plan scheme for certain key employees of the Parent Company 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 perfomance 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 The LTIPs outstanding at 31 March 2012 had both a weighted average remaining contractual life and maximum term remaining of 8 5 years

The total charge incurred by the Company for the year was £2 thousand Of this amount, £2 thousand was capitalised and £nil thousand 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

Long Term Incentive Plan 2011 ("2011 LTIP")

In November 2011 the Parent Company adopted a Long Term Incentive Plan scheme for certain key employees of the Parent Company 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 period The LTIPs outstanding at 31 March 2012 had both a weighted average remaining contractual life and maximum term remaining of 9 5 years

The total charge incurred by the Company for the year was £25 thousand Of this amount, £14 thousand was capitalised and £11 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

Share Option plan

In October 2010 the Parent Company adopted a Share option plan for certain key employees of the Parent Company Both executives and employees may participate in the Share Option Plan Typically each individual participant can 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 The unvested Options outstanding at 31 March 2012 had both a weighted average remaining contractual life and maximum remaining term of 8 5 years

The total charge incurred by the Company for the year was £17 thousand Of this amount, £17 thousand was capitalised and £nil 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

	LTIP	2011 LTIP	Share Option Plan
Weighted average share price	64 5p	50 5p	64 5p
Weighted average exercise price	Nil	Nil	70p
Expected volatility	35%	35%	35%
Expected life	6 5 years	6 5 years	5 – 6 5 years
Risk-free rate	1 09%	0 701%	1 09%
Expected dividends	0%	0%	0%
Weighted average fair value of awards granted in 2011	n/a	23 12p	n/a
Weighted average fair value of awards granted in 2010	6p	n/a	12p

21 Related party transactions

The information below sets out transactions and balances between the Company and related parties in the normal course of business for the fifteen months ended 31 March 2012

(a) With Related companies

Nexen Petroleum UK Limited is related by virtue of having a 24 77% share in the Parent Company in consideration for the Parent Company's acquisition of Nexen Exploration UK Limited Pursuant to the terms of the Secondment Agreement dated 10 March 2011 entered into by the Parent Company, Nexen Petroleum UK Limited provided various services in relation to the Company's operations For the fifteen months ended 31 March 2012, the services provided to the Company amounted to £264 thousand of which £nil thousand remained outstanding (2010 there were no such related party trading transactions)

(b) With Group companies

A summary of the transactions in the period is as follows

	15 Months ended 31 March 2012 £000	Year ended 31 December 2010 £000
Subsidiaries		
Amounts due (to)/from group company		
IGas Energy plc		
Balance at beginning of period	**(5,013)**	(436)
Net cash advances	**(16,397)**	(4,046)
Services performed by Parent	**(793)**	(531)
Balance at end of period	**(22,203)**	(5,013)
IGas Exploration UK Limited		
Balance at beginning of period	-	-
Net cash advances	**467**	-
Arising on acquisition of assets	**(29,945)**	-
Balance at end of period	**(29,478)**	-

Island Gas Operations Limited		
Balance at beginning of period	**(21)**	108
Net cash advances	**(130)**	(129)
Balance at end of period	**(151)**	(21)
Star Energy Group Limited		
Balance at beginning of period	**-**	-
Net cash advances	**(3,321)**	-
Services performed for related company	**498**	-
Arising on acquisition of liabilities from Star Energy Weald Basin Limited and Star Energy Oil and Gas Limited	**(12,588)**	-
Interest on loan	**(334)**	
Balance at end of period	**(15,745)**	-
Star Energy Limited		
Balance at beginning of period	**-**	-
Net cash advances	**6,727**	
Services performed by related company	**(85)**	-
Balance at end of period	**6,642**	-
Star Energy Weald Limited:		
Balance at beginning of period	**-**	-
Net cash Advances	**1,943**	-
Arising on acquisition of assets	**(20,297)**	-
Interest on loan	**(514)**	
	(18,868)	-
Star Energy Oil and Gas Limited		
Balance at beginning of period	**-**	-
Arising on acquisition of assets	**(53,708)**	-
Interest on loan	**(1,360)**	
	(55,068)	-

Payment terms are as mutually agreed between the Company's companies

(c) 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 Note 4 to the accounts The amount payable to Directors at 31 March 2012 was £nil (31 December 2010 £nil)

There are no other related party transactions

22 Subsequent events

On 28 February 2013, the Company acquired the entire issued share capital of P R Singleton Ltd (renamed Island Gas (Singleton) Limited) for a consideration of US$ 66 million satisfied in cash from Providence Resources Ltd The acquisition has added licence PL240, including the Singleton field which is close to existing IGLs assets in the South of England, and 50% of PEDL 233 including the Baxter's Copse and Burton Down fields

Island Gas Operations Limited's

Annual Returns

2013

Company Number: 3999194

ISLAND GAS OPERATIONS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

ISLAND GAS OPERATIONS LTD

CONTENTS	PAGES

DIRECTORS AND ADVISORS

Parent	IGas Energy Plc
Directors	A Austin J Blaymires S Bowler
Company Secretary	S White
Company Number	3999194
Registered Office	Interpark House 7 Down Street London W1J 7AJ
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP

Copies of the reports and financial statements

Further copies of this report and financial statements can be obtained from the Island Gas Operations Registered Office.

ISLAND GAS OPERATIONS LIMITED
DIRECTORS' REPORT

The Directors present their report together with the Company's financial statements for the year ended 31 March 2013. This accounting period is not comparable with the 15 month prior period as this represented a long period of account to align the year end with the Parent Company.

Results and dividends

The Company had no profit or loss for the year ended 31 March 2013 after taxation (2012: Nil).

The Directors do not recommend the payment of a dividend for the year (2012: Nil)

Going Concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Principal activity and business review

The principal activity of the Company is to enter into framework power purchase agreements to provide power to major suppliers of electricity in the United Kingdom.

In 2009, the Company commenced electricity sales into the National Grid utilising production from the IGas group's (the "Group") pilot site at Doe Green in Cheshire. Power is generated using Coal Bed Methane gas production received at nil cost from the Group's interest in Petroleum and Exploration Development Licence ("PEDL") 145.

Cash and capital management

The Company manages its cash and other sources of finance, including its support from IGas (as described under Going Concern above) so as to have access to adequate funds to meet the cost of future electricity. Under the Company's present generation arrangements, where the cost of generating electricity exceeds sales revenue, the excess is recharged to another group company resulting in a nil gross profit on sales.

Principal risks related to the Company's business compromise the following:

- The Company is exposed to risk associated with future supply of gas from its affiliate's Coal Bed Methane producing licences.
- Currently the Company has not entered into any forward contracts to fix prices of these commodities. The Board will continue to monitor the benefit of entering into such contracts.
- The Company 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.

Future plans

The Company's immediate objectives are to continue commercial electricity sales from pilot production from the Doe Green site in Cheshire and evaluate further sites with a view to having electricity generation from a number of locations.

Directors and their Interests

The Directors who served during the year, none of whom had any beneficial interests in the shares of the Company at any time during the year or the prior fifteen months, were:

A Austin
J Blaymires
S Bowler

Directors' indemnity provisions

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

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or Officers of the Company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006. The nature and the extent of the indemnities is as described in Section 54 of the Company's Articles of Association as adopted on 5 October 2009. These provisions remained in force throughout the year and remain in place at the date of this report.

Substantial Shareholders

The Company is a wholly owned subsidiary of IGas Energy plc, the Parent.

Financial risk management

The Company's principal financial instruments comprise amounts due to/from Group companies and other debtors and creditors that arise through the normal course of business as set out in notes 6, 7 and 9 to the financial statements. The main financial risks faced by the company through its normal business activities, are credit risk and liquidity risk. The management of these financial risks is performed at a group level. The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity.

Creditor payment policy and practice

It is the Company's normal practice to agree payment terms with its suppliers and abide by such terms. Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with the relevant contractual conditions. The amount owed to trade creditors at the end of the financial year represented 28 days of daily purchases for the Company (2012 – 27 days).

ISLAND GAS OPERATIONS LIMITED
DIRECTORS' REPORT

Status

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

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

Post Balance Sheet Events

There have been no events occurring since 31 March 2013 requiring disclosure.

Directors' Statement as to disclosure of information to the auditors

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.

Auditors

Ernst & Young LLP is eligible for appointment as auditor to the Company and a resolution proposing their re-appointment will be proposed at the Annual General Meeting.

By order of the Board

S White
Secretary
5 September 2013

ISLAND GAS OPERATIONS LIMITED
DIRECTORS' STATEMENT OF RESPONSIBILITIES

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

Under Company law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position of the Company and the financial performance and cash flows for the Company for that period. In preparing those 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 Company's financial position and financial performance;
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLAND GAS OPERATIONS LIMITED

We have audited the financial statements of Island Gas Operations Limited for the year ended 31 March 2013 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 13. 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 set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become of aware of any material inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and the profit 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 matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Ernst & Young LLP

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

5 September 2013

ISLAND GAS OPERATIONS LIMITED

INCOME STATEMENT

For the year ended 31 March 2013

Company Number: 3999194

	Notes	**Year ended 31 March 2013 £**	15 months ended 31 March 2012 £
Revenue	2	**225,888**	150,955
Cost of sales		**(225,888)**	(150,955)
Gross profit		-	-
Administrative expenses		-	-
Operating profit/(loss)	3	-	-
Profit/(loss) on ordinary activities before tax		-	-
Tax on profit/(loss) on ordinary activities	5	-	-
Profit/(loss) from continuing operations attributable to equity shareholders of the Company		-	-

ISLAND GAS OPERATIONS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2013

	Year ended 31 March 2013	15 months ended 31 March 2012
	£	£
Profit/(loss) for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive profit/(loss) for the year	-	-

ISLAND GAS OPERATIONS LIMITED
BALANCE SHEET
As at 31 March 2013

	Notes	**31 March 2013 £**	31 March 2012 £
CURRENT ASSETS			
Trade and other receivables	6	**106,832**	161,504
Cash and cash equivalents		-	-
		106,832	161,504
CURRENT LIABILITIES			
Trade and other payables	7	**(112,757)**	(167,429)
		(5,925)	(5,925)
NET CURRENT LIABILITIES		**(5,925)**	(5,925)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(5,925)**	(5,925)
NET LIABILITIES		**(5,925)**	(5,925)
CAPITAL AND RESERVES			
Called up share capital	10	**2**	2
Accumulated deficit		**(5,927)**	(5,927)
SHAREHOLDERS' DEFICIT		**(5,925)**	(5,925)

These financial statements were approved and authorised for issue by the Board on 5 September 2013 and are signed on its behalf by:

S Bowler
Director

ISLAND GAS OPERATIONS LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2013

	Called up share capital £	Accumulated deficit £	Total £
Balance at 1 January 2011	2	(5,927)	(5,925)
Total comprehensive profit/(loss) for the period	-	-	-
Balance at 31 March 2012	2	(5,927)	(5,925)
Total comprehensive profit/(loss) for the year	-	-	-
Balance at 31 March 2013	**2**	**(5,927)**	**(5,925)**

ISLAND GAS OPERATIONS LIMITED
CASH FLOW STATEMENT
For the year ended 31 March 2013

	Notes	**Year ended 31 March 2013 £**	15 months ended 31 March 2012 £
Operating activities:			
Retained profit/(loss) for the year/period		-	-
Increase in trade and other receivables		(54,672)	(34,539)
Increase in trade and other payables		54,672	34,539
Net cash from operating activities		-	-
Net increase / (decrease) in cash and cash equivalents in the year/period		-	-
Cash and cash equivalents at the beginning of the year/period		-	-
Cash and cash equivalents at the end of the year/period		-	-

1 ACCOUNTING POLICIES

(a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards, adopted for use by the European Union ("IFRS"), and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRS. The accounts were prepared by the Board and authorised for issue on 5 September 2013.

The accounting periods are not comparable with the prior year as the prior 15 month period represents a long period of account to align to the year end of the Parent Company.

The Company's financial statements are presented in pound sterling except when otherwise indicated.

During the year, the Company adopted the following new and amended IFRS which were applicable to the company's activities as of 1 April 2012.

		Effective date *
International Accounting Standards (IFRS/IAS)		
IAS 24	Amendment to IAS 24 – Related Party Disclosures – This amendment clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.	1 January 2011

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 2012 or later periods but which the Company has not adopted early. Those that may be applicable to the Company in future are as follows:

		Effective date*
International Accounting Standards (IFRS/IAS)		
IAS 1	Amendment to IAS 1 – Financial Statement Presentation – This amendment changes the grouping of items presented in the 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 will have no impact on the Group's financial position or performance.	1 July 2012
IFRS 9	IFRS 9 – Financial Instruments: Classification and Measurement – IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.	1 January 2015
IFRS 7/IAS 32	IFRS 7/IAS 32 -The amendments to IAS 32 and 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 clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014. The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013. The Company is currently assessing the impact that these amendments will have on the financial position.	1 January 2013 1 January 2014

IFRS 11	IFRS11 - Joint Arrangements – IFRS11 establishes principle of the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS31. It removes the option for jointly controlled entities (JCE) using proportionate consolidation.	1 January 2013
IFRS 12	IFRS12 - Disclosures of involvement with other entities - IFRS12 combines, enhances and replaces the disclosure requirement for subsidiaries, joint arrangements, associates and in consolidated structured entities.	1 January 2013

**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 Directors do 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 is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements in applying the Company's accounting policies

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

Estimates and assumptions:

There are no key assumptions or estimations of uncertainty at the balance sheet date.

(d) REVENUE

Revenue comprises the invoiced value of goods and services supplied by the Company, net of value added tax and trade discounts. Revenue is recognised in the case of electricity and other fuel sales when goods are delivered and title has passed and in the case of services rendered 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.

(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 maturity periods of up to 3 months. Any interest earned is accrued monthly and classified as interest income within finance income.

Trade and other receivables

Trade receivables are recognised when invoiced and are carried at the original invoiced amount less any allowances for doubtful debts or provision made for impairment of these receivables.

Trade and other payables

These liabilities are all non interest bearing and are initially measured as 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 receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(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 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 for the current and prior periods 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. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. 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.

(h) 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.

2 REVENUE

All revenue, which represents turnover, arises within the United Kingdom and relates to external parties. The revenue for the year related to electricity generation and sale. In 2012, £158,436 of the Company's revenue was derived from a single customer (2012: £125,253).

3 OPERATING PROFIT

	Year ended 31 March 2013 £	15 months ended 31 March 2012 £
Operating profit/(loss) is stated after charging:		
Audit of the financial statements – Ernst & Young LLP	-	-

In 2013 the audit fees for the Company of £2,000 (2012: £2,000) were paid by IGas Energy Plc.

4 EMPLOYEE AND DIRECTORS' EMOLUMENTS INFORMATION

The Company did not employ any staff during the period or the prior year, other than the Directors.

No Directors serving at the balance sheet date or during the year ended 31 March 2013 have been paid any emoluments (2012 £Nil) for services to the company.

Details of emoluments paid to Directors for services to the Group are detailed in the Parent Company annual report and accounts.

5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 31 March 2013	15 months ended 31 March 2012
	£	£
UK corporation tax:		
Current tax on income for the year, being total UK taxation	-	-
Deferred tax	-	-
Tax on profit/(loss) on ordinary activities	-	-

	Year ended 31 March 2013	15 months ended 31 March 2012
	£	£
	-	-
Profit/(loss) on ordinary activities before tax		
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2012 – 26%)	-	-
Amounts added to losses carried forward	-	-
Tax on profit/(loss) on ordinary activities	-	-

The Company had trading losses available to carry forward of £1,199,614 at 31 March 2013 (2012 - £1,199,614); none of which is considered sufficiently certain of utilisation to set up deferred tax assets.

6 CURRENT ASSETS

	31 March 2013	31 March 2012
Trade and other receivables:	**£**	£
VAT	1,602	4,038
Trade Debtors	14,261	5,084
Due from affiliates – Non interest bearing	85,041	151,581
Accrued income	5,928	801
	106,832	161,504

The carrying value of each of the Company's financial assets as stated above is considered to be a reasonable approximation of its fair value.

All of the Company's financial assets as stated above are considered to be from debtors of good credit standing and have been reviewed for indicators of impairment and no impairment provision was found to be required (2012 Nil).

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

The trade debtor balance reported above is from one customer which represents a concentration of credit risk.

Of the Company's financial assets as stated above, trade debtors of £14,261 (2012: £5,084) were past due but not impaired at the reporting date, of which the ageing was:

	31 March 2013	31 March 2012
	£	£
Not more than three months	14,261	5,084
	14,261	5,084

7 CURRENT LIABILITIES

	31 March 2013	31 March 2012
Trade and other payables:	**£**	£
Trade creditors	20,792	11,372
Due to affiliates – Non interest bearing	91,965	156,057
	112,757	167,429

The carrying value of each of the Company's financial liabilities as stated above is considered to be a reasonable approximation of its fair value and all creditors are payable on demand. All creditors are payable within one month and no creditors have been outstanding for longer than three months (2012: all within one month).

8 COMMITMENTS

At 31 March 2013, the Company had outstanding commitments for future minimum lease payments of £51,975 all falling due under one year (2012: £98,550, all falling due under one year).

9 FINANCIAL INSTRUMENTS

The Company's financial instruments principally comprised trade debtors and creditors and intercompany creditors and debtors. The main purpose of financial instruments, where the Company has them, is to provide finance for the Company's operations, as well as those arising from the company's operations.

Financial assets and liabilities
The Company's policy is to ensure that adequate cash or intercompany funding is available. The Company does not trade in financial instruments and has not entered into any derivative transactions.

Liquidity risk
Liquidity risk arises from the Company's management of working capital and is the risk that the Company will not be able to meet its financial obligations as they fall due. Cash forecasts and plans are updated frequently and reviewed regularly by management and the Board. The Company has no long term borrowings, and based on current projections and with the support of its Parent the Company has sufficient funds to meet current obligations as they fall due. Details of the maturity dates of the Company's financial liabilities are provided in note 7.

Interest rate risk profile of financial assets
Cash at bank, where it exists, earns interest at floating rates related to the published rate of the bank. There is not considered by management to be interest rate risk as at 31 March 2013. Amounts due to/from affiliates do not accrue interest and, therefore, are not exposed to interest rate risk.

Credit risk
The maximum exposure to credit risk is equal to the balances as disclosed for trade debtors in note 6.

The credit risk associated with trade receivables is mitigated by only dealing with institutions that have investment grade credit ratings. All trade receivables are due from a single counterparty.

Capital management
The Company considers its capital to comprise its ordinary share capital and share premium. In managing its capital, the Company's primary objective is to ensure its continued ability to provide a return to equity shareholders, principally through capital growth.

10 SHARE CAPITAL

	Ordinary shares	
	No.	**£ Nominal value**
1 April 2012 and 31 March 2013, Ordinary shares of £1 each:		
Authorised	**100**	**100**
Issued and fully paid	**2**	**2**

11 RELATED PARTY TRANSACTIONS

(a) with Group companies

	Year ended 31 March 2013 £	15 months ended 31 March 2012 £
Amounts due to IGas Energy plc :		
At beginning of year/period	(156,057)	(101,192)
Net cash advances	64,092	(54,865)
At end of year/period	(91,965)	(156,057)
Amounts due from Island Gas Limited :		
At beginning of year/period	151,581	21,369
Net cash advances	(224,976)	3,496
Services provided	158,436	126,716
At end of year/period	85,041	151,581

(b) With Directors

Key management 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 note 4 to the accounts.

12 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is IGas Energy plc. In the Director's opinion the Company's ultimate parent undertaking and controlling party is IGas Energy plc, which is incorporated in England and Wales. Copies of IGas Energy plc's group financial statements, which include the Company, are available from Interpark House, 7 Down Street, London, W1J 7AJ.

13 SUBSEQUENT EVENTS

There have been no events after the reporting period that require adjustment or disclosure in accordance with IAS10: "Events after the Reporting Period"

Island Gas Operations Limited's
Annual Returns
2012

Company Number 3999194

ISLAND GAS OPERATIONS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE 15 MONTHS ENDED 31 MARCH 2012

ISLAND GAS OPERATIONS LTD

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DIRECTORS AND ADVISORS

Parent	IGas Energy Plc
Directors	A P Austin – Director J M Blaymires – Director S D Bowler – Director
Company Secretary	S S White
Company Number	3999194
Registered Office	Interpark House 7 Down Street London W1J 7AJ
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP

Copies of the reports and financial statements

Further copies of this report and financial statements can be obtained from the Island Gas Operations Registered Office

ISLAND GAS OPERATIONS LIMITED
DIRECTORS' REPORT

The Directors present their report together with the Company's financial statements for the 15 months ended 31 March 2012 The accounting periods are not comparable with the prior year as this 15 month period represents a long period of account to align the year end with the Parent Company

Results and dividends

The Company had no profit or loss for the 15 months ended 31 March 2012 after taxation (2010 Nil)

The directors do not recommend the payment of a dividend for the year (2010 Nil)

Going Concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis Their enquiries included consideration of the financial statements of IGas for the 6 months ended 30 September 2012, approved on 19 December 2012, which were prepared on a going concern basis

Principal activity and business review

The principal activity of the Company is to enter into framework power purchase agreements to provide power to major suppliers of electricity in the United Kingdom

In 2009, the Company commenced electricity sales into the National Grid utilising production from the IGas group's (the "Group") pilot site at Doe Green in Cheshire Power is generated using Coal Bed Methane gas production received at nil cost from the Group's interest in Petroleum and Exploration Development Licence ("PEDL") 145

Cash and capital management

The Company manages its cash and other sources of finance, including its support from IGas (as described under Going Concern above) so as to have access to adequate funds to meet the cost of future electricity Under the Company's present generation arrangements, where the cost of generating electricity exceeds sales revenue, the excess is recharged to its joint venture partner (a subsidiary of the parent) resulting in a nil gross profit on sales

Principal risks related to the Company's business compromise the following·

- The Company is exposed to risk associated with future supply of gas from its affiliate's Coal Bed Methane producing licences
- Currently the Company has not entered into any forward contracts to fix prices of these commodities The Board will continue to monitor the benefit of entering into such contracts
- The Company 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

Future plans

The Company's immediate objectives are to continue commercial electricity sales from the Doe Green site in Cheshire and evaluate further sites with a view to having electricity generation from a number of locations

Directors and their Interests

The Directors who served during the fifteen months, none of whom had any beneficial interests in the shares of the Company at any time during the fifteen months or the prior year, were

A Austin
J Blaymires (appointed 4 March 2011)
S Bowler (appointed 1 November 2011)
F Gugen (resigned 4 March 2011)
B Cheshire (resigned 4 March 2011)

Directors' indemnity provisions

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

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or Officers of the Company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006 The nature and the extent of the indemnities is as described in Section 54 of the Company's Articles of Association as adopted on 5 October 2009 These provisions remained in force throughout the year and remain in place at the date of this report

Substantial Shareholders

The Company is a wholly owned subsidiary of IGas Energy plc, the Parent

Financial risk management

The Company's principal financial instruments comprise amounts due to/from Group companies and other debtors and creditors that arise through the normal course of business as set out in notes 6, 7 and 9 to the financial statements

Creditor payment policy and practice

It is the Company's normal practice to agree payment terms with its suppliers and abide by such terms Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with the relevant contractual conditions The amount owed to trade creditors at the end of the financial year represented 27 days of daily purchases for the Company (2010 – 95 days)

ISLAND GAS OPERATIONS LIMITED
DIRECTORS' REPORT

Status

The Company is a close company as defined in the Income and Corporation Taxes Act 1988

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

Post Balance Sheet Events

There have been no events occurring since 31 March 2012 requiring disclosure

Directors' Statement as to disclosure of information to the auditors

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

Auditors

Ernst & Young LLP is eligible for appointment as auditor to the Company and a resolution proposing their re-appointment will be proposed at the Annual General Meeting

By order of the Board

S White
Secretary
20 March 2013

ISLAND GAS OPERATIONS LIMITED
DIRECTORS' STATEMENT OF RESPONSIBILITIES

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

Under Company law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position of the Company and the financial performance and cash flows for the Company for that period In preparing those 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 Company's financial position and financial performance,
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLAND GAS OPERATIONS LIMITED

We have audited the financial statements of Island Gas Operations Limited for the 15 months ended 31 March 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 13 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 set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (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 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 Directors' Report to identify material inconsistencies with the audited financial statements If we become of aware of any material inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and the profit for the year 15 months 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 matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the 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 company, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Ernst & Young LLP.
Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 March 2013

ISLAND GAS OPERATIONS LIMITED
INCOME STATEMENT
For the 15 months ended 31 March 2012
Company Number 3999194

	Notes	15 months ended 31 March 2012 £	Year ended 31 December 2010 £
Revenue	2	**150,955**	126,605
Cost of sales		**(150,955)**	(126,605)
Gross profit		-	-
Administrative expenses		-	-
Operating profit/(loss)	3	-	-
Profit/(loss) on ordinary activities before tax		-	-
Tax on profit/(loss) on ordinary activities	5	-	-
Profit/(loss) from continuing operations attributable to equity shareholders of the Company		-	-

ISLAND GAS OPERATIONS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the 15 months ended 31 March 2012

	15 months ended 31 March 2012	Year ended 31 December 2010
	£	£
Profit/(loss) for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive profit/(loss) for the year	-	-

ISLAND GAS OPERATIONS LIMITED
BALANCE SHEET
As at 31 March 2012

	Notes	31 March 2012 £	31 December 2010 £
CURRENT ASSETS			
Trade and other receivables	6	**161,504**	126,965
Cash and cash equivalents		**-**	-
		161,504	126,965
CURRENT LIABILITIES			
Trade and other payables	7	**(167,429)**	(132,890)
		(5,925)	(5,925)
NET CURRENT LIABILITIES		**(5,925)**	(5,925)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(5,925)**	(5,925)
NET LIABILITIES		**(5,925)**	(5,925)
CAPITAL AND RESERVES			
Called up share capital	10	**2**	2
Accumulated deficit		**(5,927)**	(5,927)
SHAREHOLDERS' FUNDS		**(5,925)**	(5,925)

These financial statements were approved and authorised for issue by the Board on 20 March 2013 and are signed on its behalf by

S Bowler
Director

ISLAND GAS OPERATIONS LIMITED
STATEMENT OF CHANGES IN EQUITY
For the 15 months ended 31 March 2012

	Called up share capital £	Accumulated deficit £	Total £
Balance at 1 January 2010	2	(5,927)	(5,925)
Changes in equity for 2010			
Loss for year	-	-	-
Balance at 31 December 2010	2	(5,927)	(5,925)
Comprehensive profit for the year			
Changes in equity for 2011			
Comprehensive loss for the period	-	-	-
Balance at 31 March 2012	**2**	**(5,927)**	**(5,925)**

ISLAND GAS OPERATIONS LIMITED
CASH FLOW STATEMENT
For the year 15 months ended 31 March 2012

	Notes	**15 Months ended 31 March 2012 £**	Year ended 31 December 2010 £
Operating activities:			
Retained profit/(loss) for the year		-	-
(Increase) in trade and other receivables		(34,539)	(11,679)
Increase in trade and other payables		34,539	11,679
Net cash from operating activities		-	-
Net increase / (decrease) in cash and cash equivalents in the year		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

ISLAND GAS OPERATIONS LIMITED
FINANCIAL STATEMENTS NOTES
As at 31 March 2012

1 ACCOUNTING POLICIES

(a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards, adopted for use by the European Union ("IFRS"), and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRS The accounts were prepared by the Board and authorised for issue on 20 March 2013

The accounting periods are not comparable with the prior year as this 15 month period represents a long period of account to align to the year end of the Parent Company

The Company's financial statements are presented in pound sterling except when otherwise indicated

During the period, the Company adopted the following new and amended IFRS which were applicable to the company's activities as of 1 January 2011

		Effective date *
International Accounting Standards (IFRS/IAS)		
IAS 24	Amendment to IAS 24 – Related Party Disclosures – This amendment clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application The revised standard introduces a partial exemption of disclosure requirements for government-related entities	1 January 2011

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 2012 or later periods but which the Company has not adopted early Those that may be applicable to the Company in future are as follows

		Effective date*
International Accounting Standards (IFRS/IAS)		
IAS 1	Amendment to IAS 1 – Financial Statement Presentation – This amendment changes the grouping of items presented in the 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 will have no impact on the Group's financial position or performance	1 July 2012
IFRS 9	IFRS 9 – Financial Instruments Classification and Measurement – IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39 The standard is effective for annual periods beginning on or after January 2013 In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition The completion of this project is expected in early 2011 The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture	1 January 2015
IFRS 7/IAS 32	IFRS 7/IAS 32 -The amendments to IAS 32 and 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 clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014 The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013 The Company is currently assessing the impact that these amendments will have on the financial position	1 January 2013 1 January 2014

IFRS 11	IFRS11 - Joint Arrangements – IFRS11 establishes principle of the financial reporting by parties to a joint arrangement IFRS 11 supersedes IAS31 It removes the option for jointly controlled entities (JCE) using proportionate consolidation	1 January 2013
IFRS 12	IFRS12 - Disclosures of involvement with other entities - IFRS12 combines, enhances and replaces the disclosure requirement for subsidiaries, joint arrangements, associates and in consolidated structured entities	1 January 2013

**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 Directors do 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 is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis Their enquiries included consideration of the financial statements of IGas for the 6 months ended 30 September 2012, approved on 19 December 2012, which were prepared on a going concern basis

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements in applying the Company's accounting policies

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

Estimates and assumptions:

There are no key assumptions or estimations of uncertainty at the balance sheet date

(d) REVENUE

Revenue comprises the invoiced value of goods and services supplied by the Company, net of value added tax and trade discounts Revenue is recognised in the case of electricity and other fuel sales when goods are delivered and title has passed and in the case of services rendered 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

(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 maturity periods of up to 3 months Any interest earned is accrued monthly and classified as interest income within finance income

Trade and other receivables
Trade receivables are recognised when invoiced and are carried at the original invoiced amount less any allowances for doubtful debts or provision made for impairment of these receivables

Trade and other payables
These liabilities are all non interest bearing and are initially measured as 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 receivables is reduced through use of an allowance account Impaired debts are derecognised when they are assessed as uncollectible

(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 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 for the current and prior periods 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 Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements 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

(h) 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

2 REVENUE

All revenue, which represents turnover, arises within the United Kingdom and relates to external parties The revenue for the 15 month period related to electricity generation and sale In 2012, £125,253 of the Company's revenue was derived from a single customer (2010 £81,480)

3 OPERATING PROFIT

	15 months ended 31 March 2012 £	Year ended 31 December 2010 £
Operating profit/(loss) is stated after charging		
Audit of the financial statements – Ernst & Young LLP	-	-

In 2012 the audit fees for the Company of £2,000 (2010 £2,000) were paid by IGas Energy Plc

4 EMPLOYEE AND DIRECTORS' EMOLUMENTS INFORMATION

The Company did not employ any staff during the period or the prior year, other than the Directors

No Directors serving at the balance sheet date or during the 15 months ended 31 March 2012 have been paid any emoluments (2010 £Nil) for services to the company

Details of emoluments paid to Directors for services to the Group are detailed in the Parent Company annual report and accounts It is not practicable to allocate a specific amount to the Company

5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	15 months ended 31 March 2012	Year ended 31 December 2010
	£	£
UK corporation tax		
Current tax on income for the year, being total UK taxation	-	-
Deferred tax	-	-
Tax on profit/(loss) on ordinary activities	-	-

	15 months ended 31 March 2012	Year ended 31 December 2010
	£	£
	-	-
Profit/(loss) on ordinary activities before tax		
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2010 – 21%)	-	-
Amounts added to losses carried forward	-	-
Tax on profit/(loss) on ordinary activities	-	-

The Company had trading losses available to carry forward of £1,199,614 at 31 March 2012 (2010 - £1,199,614), none of which is considered sufficiently certain of utilisation to set up deferred tax assets

ISLAND GAS OPERATIONS LIMITED
FINANCIAL STATEMENTS NOTES
As at 31 March 2012

6 CURRENT ASSETS

	31 March 2012	31 December 2010
Trade and other receivables:	**£**	£
VAT	4,038	21,983
Trade debtors	5,084	60,882
Due from affiliates – Non interest bearing	151,581	21,369
Accrued income	801	22,731
	161,504	126,965

The carrying value of each of the Company's financial assets as stated above is considered to be a reasonable approximation of its fair value

All of the Company's financial assets as stated above are considered to be from debtors of good credit standing and have been reviewed for indicators of impairment and no impairment provision was found to be required (2010 Nil)

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

The trade debtor balance reported above is from one customer which represents a concentration of credit risk

Of the Company's financial assets as stated above, £5,084 (2010 £60,882) were past due but not impaired at the reporting date, of which the ageing was

	31 March 2012	31 December 2010
	£	£
Not more than three months	5,084	60,882
	5,084	60,882

7 CURRENT LIABILITIES

	31 March 2012	31 December 2010
Trade and other payables.	**£**	£
Trade creditors	11,372	31,698
Due to affiliates – Non interest bearing	156,057	101,192
	167,429	132,890

The carrying value of each of the Company's financial liabilities as stated above is considered to be a reasonable approximation of its fair value and all creditors are payable on demand All creditors are payable within one month and no creditors have been outstanding for longer than three months (2010 all within one month)

8 COMMITMENTS

At 31 March 2012, the Company had outstanding commitments for future minimum lease payments of £98,550 (2010 £45,000, all falling due under one year), all falling due under one year

9 FINANCIAL INSTRUMENTS

The Company's financial instruments principally comprised trade debtors and creditors and intercompany creditors The main purpose of financial instruments, where the Company has had them, is to provide finance for the Company's operations

Financial assets and liabilities
The Company's policy is to ensure that adequate cash or intercompany funding is available The Company does not trade in financial instruments and has not entered into any derivative transactions

Liquidity risk
Liquidity risk arises from the Company's management of working capital and is the risk that the Company will not be able to meet its financial obligations as they fall due Cash forecasts and plans are updated frequently and reviewed regularly by management and the Board The Company has no long term borrowings, and based on current projections and with the support of the Parent the Company has sufficient funds to meet current obligations as they fall due Details of the maturity dates of the Company's financial liabilities are provided in note 7

Interest rate risk profile of financial assets
Cash at bank, where it exists, earns interest at floating rates related to the published rate of the bank There is not considered by management to be interest rate risk as at 31 March 2012

Credit risk
The maximum exposure to credit risk is equal to the balances as disclosed for trade debtors in note 6

Trade receivables
The receivables credit risks are mitigated by only dealing with institutions that have investment grade credit ratings All trade receivables are due from a single counterparty

Capital management
The Company considers its capital to comprise its ordinary share capital and share premium In managing its capital, the Company's primary objective is to ensure its continued ability to provide a return to equity shareholders, principally through capital growth

10 SHARE CAPITAL

	Ordinary shares No.	£ Nominal value
1 January 2010 and 31 December 2010, Ordinary shares of £1 each		
Authorised	**100**	**100**
Issued and fully paid	**2**	**2**

11 RELATED PARTY TRANSACTIONS

(a) with Group companies

	15 months ended 31 March 2012 £	Year Ended 31 December 2010 £
Parent company		
Amounts due (to) IGas Energy plc :		
At beginning of period	(101,192)	-
Net cash advances	(54,865)	(101,192)
At end of period	(156,057)	(101,192)

Group company		
Amounts due from/(to) Island Gas Limited :		
At beginning of period	21,369	(108,433)
Net cash advances	3,496	129,802
Services Provided	126,716	
	151,581	21,369

(b) With Directors

Key management 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 note 4 to the accounts

12 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is IGas Energy plc In the Director's opinion the Company's ultimate parent undertaking and controlling party is IGas Energy plc, which is incorporated in England and Wales Copies of IGas Energy plc's group financial statements, which include the Company, are available from Interpark House, 7 Down Street, London, W1J 7AJ

13 SUBSEQUENT EVENTS

There have been no events after the reporting period that require adjustment or disclosure in accordance with IAS10 "Events after the Reporting Period"

IGas Exploration UK Limited's Annual Returns 2013

IGas Exploration UK Limited

Report and Financial Statements

Year Ended

31 March 2013

IGas Exploration UK Limited

Report and financial statements
for the year ended 31 March 2013

Contents

Page:

Directors

A Austin
J Blaymires
S Bowler

Secretary

S White

Registered office

7 Down Street, London, W1J 7AJ.

Company number

04323945

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

IGas Exploration UK Limited

Report of the directors
for the year months ended 31 March 2013

The directors present their report together with the audited financial statements for the year ended 31 March 2013. The accounting periods are not comparable with the 15 month prior period as this represents a long period of account to align the year end with the Parent Company.

Results and dividends

The profit and loss account is set out on page 6.

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

Going Concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Principal activity, trading review and future developments

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

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

Principal risks, uncertainties and KPIs

The company's principal risks, uncertainties and key performance indicators are only managed at the IGas Energy plc level. To gain a further understanding of this business further details are disclosed in the financial statements of the Parent. Due to the fact that the Company's principal activity is to hold an interest-bearing loan receivable from an affiliate, the risks and uncertainties which pertain to the Company include credit risk related to that affiliate and interest rate risk.

The company, due to its size, has taken advantage of the exemption available under Section s417(1) of the Companies Act 2006 not to present a business review in accordance with the Companies Act 2006 requirements.

Charitable donations

The company made no charitable contributions during the period (2012 - £ Nil).

Directors

The directors of the company during the year were:

A Austin
J Blaymires
S Bowler

Corporate governance

IGas Exploration UK Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors' indemnity provisions

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

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or Officers of the Company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006. The nature and the extent of the indemnities is as described in Section 54 of the Company's Articles of Association as adopted on 5 October 2009. These provisions remained in force throughout the year and remain in place at the date of this report.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board
S White
Secretary
5 September 2013

IGas Exploration UK Limited

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

---

We have audited the financial statements of IGas Exploration UK Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst + Young LLP

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
5 September 2013

IGas Exploration UK Limited

Profit and loss account
for the year ended 31 March 2013

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

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

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

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

IGas Exploration UK Limited

Balance sheet
at 31 March 2013

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

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

Stephen Bowler
Director

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

1. ACCOUNTING POLICIES

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

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The company's financial statements fall within the scope of the UK Oil Industry Accounting Committee's Statement of Recommended Practice (SORP), "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" and have been prepared in accordance with provisions thereof.

Under *Financial Reporting Standard (FRS)1: Cash flow statements*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the United Kingdom, the company has taken advantage of the exemption contained in *FRS 8: Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGas Energy plc and Star Energy Oil & Gas Limited belong. The consolidated financial statements of IGas Energy plc, within which this company is included, can be obtained from the registered office.

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

(b) Taxation

Current Corporation Tax is provided on the basis of amounts to be paid or recovered using tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date. Deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Amounts related to deferred taxation are undiscounted.

(c) Joint ventures

Exploration activities are conducted as co-licensee in joint ventures with other companies. The financial statements reflect the relevant proportions of capital and operating expenditures applicable to the company's interests.

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

Expenditures on pre-licence, licence acquisition, exploration and appraisal activities are initially capitalised as intangible fixed assets until the discovery or otherwise of commercial reserves has been established and development consent is received. The recoverability of such intangible assets is dependent on future successful drilling results and successful development of commercial reserves. Intangible assets are held undepreciated, but are reviewed annually for impairment.

IGas Exploration UK Limited

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at 31 March 2013

	Note	31 March 2013		31 March 2012	
		£'000	£'000	£'000	£'000
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1. ACCOUNTING POLICIES

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

Where it is determined that no commercial reserves exist, in the absence of a producing pool, the related intangible assets are written off to the profit and loss account as exploration expenses.

(e) Stocks

Stock are recorded at the lower of cost and net realisable value.

(f) Foreign currencies

Transactions denominated in currencies other than pounds sterling are translated into sterling at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. All exchange differences arising are taken to the profit and loss account for the year.

(g) Abandonment and decommissioning

Provision is made for the present value of the future cost of abandonment of exploration wells where additional work is required for their abandonment. The estimated costs, based upon engineering cost levels estimated as at the balance sheet date, are computed on the basis of the latest assumptions as to the scope and method of abandonment and are recorded on a discounted basis. The corresponding amount is capitalised as part of tangible assets. The unwinding of the discount applied to the abandonment provision is treated as a component of the interest charge.

2 Remuneration of directors and employees

No remuneration has been paid to either current or former directors in respect of services to IGas Exploration UK Limited (2012 - £Nil). The total remuneration paid to current group directors is disclosed in the IGas Energy Plc. financial statements.

3 Operating profit

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

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

4 Interest receivable and similar income

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

5 Interest payable and similar charges

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

No interest was capitalised during the year.

6 Taxation on profit from ordinary activities

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

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

Factors affecting the current tax charge for the current period

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

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

Factors that may affect future tax charges

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

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

Deferred tax liability

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

7 Debtors

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

8 Creditors: amounts falling due within one year

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

9 Provisions for liabilities

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

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

10 Called up share capital

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

11 Reserves

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

12 Reconciliation of movements in shareholders' funds

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

13 Disposal

On the 19 December 2011, the assets and liabilities along with the related trade of IGas Exploration UK Limited were sold to Island Gas Limited (IGL) for consideration of £29.9 million in the form of a loan from IGL. The company made a profit of £1,566,000.

Assets and liabilities other than intangible exploration & evaluation assets were sold at book value.

14 Capital commitments

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

15 Immediate parent company and ultimate controlling party

The Company's immediate parent undertaking is IGas Energy plc. In the Director's opinion the Company's ultimate parent undertaking and controlling party is IGas Energy plc, which is incorporated in England and Wales. Copies of IGas Energy plc's group financial statements, which include the Company, are available from Interpark House, 7 Down Street, London, W17 7AJ

16 Post balance sheet events

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

IGas Exploration UK Limited’s
Annual Returns
2012

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IGas Exploration UK Limited

Report and Financial Statements

Fifteen months Ended

31 March 2012

IGas Exploration UK Limited

Report and financial statements
for the fifteen months ended 31 March 2012

Contents

Page

Directors

A Austin
S Bowler

Secretary

S White

Registered office

7 Down Street, London, W1J 7AJ

Company number

04323945

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

IGas Exploration UK Limited

Report of the directors
for the fifteen months ended 31 March 2012

The directors present their report together with the audited financial statements for the 15 months ended 31 March 2012 The accounting periods are not comparable with the prior year as this 15 month period represents a long period of account to align the year end with the Parent Company

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the period

The company made a profit for the fifteen month period of £15,853,000 (2010 – loss of £293,000) No dividend was paid or proposed during the year (2010 - £Nil) The retained profit is transferred to reserves giving an accumulated surplus carried forward at 31 March 2011 of £29,478,000 (2010 – deficit of £3,169,000)

Going Concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis Their enquiries included consideration of the interim financial statements of IGas for the 6 months ended 30 September 2012, approved on 19 December 2012, which were prepared on a going concern basis

Principal activity, trading review and future developments

The principal activity of the company up to 19 December 2011 was the business of exploration and production of gas

The company held an interest in one offshore exploration licence (P1481) and eleven onshore exploration licences (PEDLS 40, 56, 78, 92, 107, 115, 116, 145, 184, 190, and193) As part of a Group wide restructuring, the company sold its interests in its assets, liabilities and their related trade to Island Gas Limited The effective date of the transaction was 19 December 2011

The company is consolidated in the Annual Report and Accounts of IGas Energy PLC ('the Parent') for 15 month period ended 31 March 2012.

The company's Principal risks, uncertainties and key performance indicators are only managed at the IGas Energy plc level To gain a further understanding of this business further details are disclosed in the financial statements of the Parent

The company, due to its size, has taken advantage of the exemption available under Section s417(1) of the Companies Act 2006 not to present a business review in accordance with the Companies Act 2006 requirements

Charitable donations

The company made no charitable contributions during the period (2010 - £ Nil)

Directors

The directors of the company during the fifteen months were

Name	Date of Appointment	Date of Resignation
A Austin	10 March 2011	
J Blaymires	10 March 2011	
S Bowler	01 November 2011	
R A Benmore		10 March 2011
R N Fennell		10 March 2011
L T Harvey		10 March 2011
A O'Brien		20 January 2011
P Oldham		10 March 2011
M J Schonberner		10 March 2011

Corporate governance

IGas Exploration UK Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

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

Directors' indemnity provisions

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

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or Officers of the Company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006 The nature and the extent of the indemnities is as described in Section 54 of the Company's Articles of Association as adopted on 5 October 2009 These provisions remained in force throughout the year and remain in place at the date of this report

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board
S White
Secretary
20 March 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IGAS EXPLORATION UK LIMITED

We have audited the financial statements of IGas Exploration UK Limited for the 15 months ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the fifteen months then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

IGas Exploration UK Limited

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

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Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst + Young LLP

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 March 2013

IGas Exploration UK Limited

Profit and loss account
for the fifteen months ended 31 March 2012

	Note	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Other income		-	381
Exploration Expenses		-	(109)
Administrative Expenses		(3)	2
Profit on sale of assets	16	1,566	-
Operating profit	3	1,563	274
Interest receivable and similar income	4	428	-
Interest payable and similar charges	5	(8)	(377)
Profit/(loss) on ordinary activities before taxation		1,983	(103)
Tax credit/(charge) on profit/(loss) on ordinary activities	6	13,870	(190)
Profit/(loss) for the financial Period/year	15	15,853	(293)

The above results derive from assets held by the company during the period and were transferred to Island Gas Limited on 19 December 2011

Statement of total recognised gains and losses
for the fifteen months ended 31 March 2012

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of £15,583,000 for the fifteen months ended 31 March 2012 (2010 – loss £293,000)

IGas Exploration UK Limited

Balance sheet
at 31 March 2012

	Note	31 March 2012		31 December 2010	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	7	-	-	1	
Intangible assets	8	-	-	28,113	
			-		28,114
Current assets					
Stocks	9	-		267	
Debtors - due within 1 year	10	-		34,373	
- due after 1 year	10	29,478		-	
			29,478		34,640
Creditors: amounts falling due within one year	11	-		(51,304)	
Net current assets/(liabilities)			29,478		(16,664)
Total assets less current liabilities			29,478		11,450
Deferred tax liabilities	6		-		(13,870)
Provisions for liabilities and charges	12		-		(749)
Net assets/(liabilities)			29,478		(3,169)
Capital and reserves					
Called up share capital	13	17,688		894	
Profit and loss account	14	11,790		(4,063)	
Shareholder's surplus/(deficit)	15		29,478		(3,169)

The financial statements were approved by the Board of Directors and authorised for issue on 20 March 2013

Steven Bowler
Director

The notes on pages 8 to 17 form part of these financial statements

1 ACCOUNTING POLICIES

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

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The company's financial statements fall within the scope of the UK Oil Industry Accounting Committee's Statement of Recommended Practice (SORP), "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" and have been prepared in accordance with provisions thereof

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis Their enquiries included consideration of the interim financial statements of IGas for the 6 months ended 30 September 2012, approved on 19 December 2012, which were prepared on a going concern basis

Under *Financial Reporting Standard (FRS)1 Cash flow statements*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the United Kingdom, the company has taken advantage of the exemption contained in *FRS 8 Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGas Energy plc and Star Energy Oil & Gas Limited belong The consolidated financial statements of IGas Energy plc, within which this company is included, can be obtained from the registered office

(b) Taxation

Current Corporation Tax is provided on the basis of amounts to be paid or recovered using tax rates and laws that have been enacted or substantially enacted at the balance sheet date

Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date Deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered Amounts related to deferred taxation are undiscounted

(c) Joint ventures

Exploration activities are conducted as co-licensee in joint ventures with other companies The financial statements reflect the relevant proportions of capital and operating expenditures applicable to the company's interests

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

Expenditures on pre-licence, licence acquisition, exploration and appraisal activities are initially capitalised as intangible fixed assets until the discovery or otherwise of commercial reserves has been established and development consent is received The recoverability of such intangible assets is dependent on future successful drilling results and successful development of commercial reserves Intangible assets are held undepreciated, but are reviewed annually for impairment

Where it is determined that no commercial reserves exist, in the absence of a producing pool, the related intangible assets are written off to the profit and loss account as exploration expenses

(e) Stocks

Stock are recorded at the lower of cost and net realisable value

(f) Foreign currencies

Transactions denominated in currencies other than pounds sterling are translated into sterling at the rates of exchange prevailing at the dates of the transactions Monetary assets and liabilities denominated in such currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date All exchange differences arising are taken to the profit and loss account for the year

(g) Abandonment and decommissioning

Provision is made for the present value of the future cost of abandonment of exploration wells where additional work is required for their abandonment The estimated costs, based upon engineering cost levels estimated as at the balance sheet date, are computed on the basis of the latest assumptions as to the scope and method of abandonment and are recorded on a discounted basis The corresponding amount is capitalised as part of tangible assets The unwinding of the discount applied to the abandonment provision is treated as a component of the interest charge

(h) Investments

Fixed asset investments are shown at cost less provision for impairment

2 Remuneration of directors and employees

No remuneration has been paid to either current or former directors in respect of services to IGas Exploration UK Limited (2010 - £Nil) The total remuneration paid to current group directors is disclosed in the IGas Energy Plc financial statements

3 Operating profit

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Operating profit is stated after charging		
Auditors' remuneration	-	-
Profit on sale of assets (note16)	1,566	-

In 2012 the audit fees for the Company of £5,000 (2010 £10,000) were paid by the Parent Company IGas Energy Plc

4 Interest receivable and similar income

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Foreign exchange gains	428	-
	428	-

5 Interest payable and similar charges

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Foreign exchange losses	-	(349)
Unwinding of discount on decommissioning provision	(8)	(28)
	(8)	(377)

No interest was capitalised during the year

6 Taxation on profit from ordinary activities

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
UK corporation tax		
Current charge at tax rate of 62% (2011 – 50 26%)	-	761
Adjustment in respect of prior years	-	(3)
Supplementary corporation tax	-	508
Adjustments in respect of previous years supplementary corporation tax	-	(2)
	-	1,264
Deferred tax		
Reversal of timing differences	13,870	(1,454)
Adjustment in respect of prior years	-	-
	13,870	(1,454)
Tax credit/(charge) on loss on ordinary activities	13,870	(190)

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

Factors affecting the current tax charge for the current period

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

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Profit/(loss) on ordinary activities before tax	1,983	(103)
Profit/ (loss) on ordinary activities at the weighted average rate of corporation tax in the UK of 62% (2010 – 50 26%)	1,229	(52)
Effects of		
Expenses not deductible for tax purposes	(971)	-
Capital allowances in excess/(less) of depreciation	(555)	(1,232)
Temporary Differences	-	15
Losses utilised/(generated)	297	-
Adjustments in respect of previous year	-	5
Total current tax credit/(charge)	-	(1,264)

Deferred tax assets have been recognised in respect of all such tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered The company has total tax losses carried forward of £Nil (2011 – £13 8 million) on which no deferred tax is recognised No deferred tax asset is recognised in respect of these losses carried forward to future periods due to the uncertainty of the timing of future taxable profits This may affect future tax changes should the company produce sufficient table trading profits in future periods

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

Deferred tax liability

	Year ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
At beginning of the period	(13,870)	(12,416)
Adjustment in respect of prior year	-	(241)
Profit and loss credit for the period	13,870	-
Accelerated capital allowances	-	(1,213)
At end of the period	-	(13,870)

	Year ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
The deferred tax liability is comprised of		
Accelerated capital allowances	-	(8,467)
Trade losses utilised	-	-
Prior year adjustments	-	145
Tax losses not recognised	-	-
The deferred supplementary charge is comprised of		
Accelerated capital allowances	-	(5,644)
Prior year adjustments	-	96
	-	(13,870)

7 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2011	1
Disposals	(1)
At 31 March 2012	-

The Company disposed of its subsidiary Nexen Oil and Gas UK Developments LP to Nexen Petroleum U K Limited, for a consideration of £1, making a nil gain on disposal

8 Intangible fixed assets

	Exploration expenditure £'000
Cost	
At 1 January 2011	28,113
Additions	1,975
Disposals	(30,088)
Net book value	
At 31 March 2012	-
At 31 December 2010	28,113

See Note 16 for a description of the disposal

9 Stock

	31 March 2012 £'000	31 December 2010 £'000
Raw materials and consumables	-	267

There is no material difference between the replacement cost of stocks and the amount stated above

10 Debtors

	31 March 2012 £'000	31 December 2010 £'000
Amounts due more than one year		
Amounts owed by affiliates	29,478	-
	29,478	-
Amounts due within one year		
Amounts owed by affiliates	-	34,342
VAT recoverable	-	16
Other debtors	-	14
Accrued income	-	1
	-	34,373

11 Creditors: amounts falling due within one year

	31 March 2012 £'000	31 December 2010 £'000
Trade creditors	-	(252)
Amounts owed to affiliates	-	(50,964)
Accruals	-	(88)
	-	(51,304)

12 Provisions for liabilities

	2012 Decommissioning £'000	Total £'000	2010 Decommissioning £'000	Total £'000
At the beginning of the period/year	749	749	724	724
Unwinding of the discount	-	-	28	28
Changes to the estimate of provisions	(606)	(606)	-	-
Utilisation of provision	-	-	(3)	(3)
Disposal	(143)	(143)	-	-
At the end of the period/year	-	-	749	749

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

13 Called up share capital

	31 March 2012 Number	31 December 2010 number	31 March 2012 £	31 December 2010 £
Authorised				
Ordinary shares of £1 each	17,687,562	10,000,000	17,687,562	10,000,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	17,687,562	894,060	17,687,562	894,060

14 Reserves

	Share Capital £'000	Profit & loss account £'000	Total £'000
At beginning of the period	894	(4,063)	(3,169)
Issued share capital during the period	16,794	-	16,794
Retained profit for the period	-	15,853	15,853
At the end of the period	17,688	11,790	29,478

15 Reconciliation of movements in shareholders' funds

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Issued share capital	16,794	-
Profit for the financial period	15,853	(293)
Net increase to shareholder's funds	32,646	(293)
Opening shareholder's (deficit)	(3,169)	(2,876)
Closing shareholder's surplus/(deficit)	29,478	(3,169)

16 Disposal

On the 19 December 2011, the assets and liabilities along with the related trade of IGas Exploration UK Limited were sold to Island Gas Limited (IGL) for consideration of £29 9 million in the form of a loan from IGL The company made a profit of £1,566,000

Assets and liabilities other than intangible exploration & evaluation assets were sold at book value

17 Capital commitments

There are no capital commitments at the end of the period (2010 - £Nil) for which no provision has been made

18 Immediate parent company and ultimate controlling party

The Company's immediate parent undertaking is IGas Energy plc In the Director's opinion the Company's ultimate parent undertaking and controlling party is IGas Energy plc, which is incorporated in England and Wales Copies of IGas Energy plc's group financial statements, which include the Company, are available from Interpark House, 7 Down Street, London, W17 7AJ

19 Post balance sheet events

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

Star Energy Group Limited’s
Annual Returns
2013

Star Energy Group Limited

Annual Report and Financial Statements

Year Ended

31 March 2013

Star Energy Group Limited

Annual report and financial statements for the year ended 31 March 2013

Contents

Page:

Directors

Andrew Austin
Stephen Bowler

Secretary

MoFo Secretaries Limited

Registered office

7 Down Street, London, W1J 7AT

Company number

5054503

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

Star Energy Group Limited

Annual report of the directors for the year ended 31 March 2013

The directors present their annual report together with the audited financial statements for the year ended 31 March 2013.

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the year.

The company made a loss for the year of £1,120,000 (2012 - £47,949,000) and the loss is transferred to reserves giving an accumulated deficit carried forward at 31 March 2013 of £16,864,000 (2012 – £15,744,000). No dividend was paid during the year or is proposed by the directors (2012 - £Nil).

Principal activities, trading review and future development

The directors are satisfied with the results for the year. Going forward they intend to maintain the company as a holding company with the principal activity of its subsidiaries being the selling of crude oil.

Principal risks, uncertainties and KPIs

The company's risks and key performance indicators are managed at the IGas Energy Group level. To gain a further understanding of this business further details are disclosed in the Annual Report and Accounts of IGas Energy plc. Due to the fact that the principal activity of the Company is to hold investments in subsidiaries, the principal risk related to the Company is capital risk.

The company, due to its size, has taken advantage of the exemption available under Section s417(1) of the Companies Act 2006 not to present a business review in accordance with the Companies Act 2006 requirements.

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Charitable and political donations

During the year, the Company made charitable contributions in the UK totalling £Nil (2012 - £10,000).

Directors and directors' interests

The directors of the Company who served during the year and subsequent to the year-end were as follows:

Andrew Austin
Stephen Bowler

Corporate governance

Star Energy Group Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business.

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

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

Directors' 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 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 54 of the Company's Articles of Association as adopted on 5 October 2009. These provisions remained in force throughout the year and remain in place at the date of this report.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Stephen Bowler
Director
5 September 2013

Star Energy Group Limited

Independent auditors' report to the shareholder of Star Energy Group Limited

We have audited the financial statements of Star Energy Group Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of total recognised gains and losses, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst + Young LLP.

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst &Young LLP, Statutory Auditor
London
5 September 2013

Star Energy Group Limited

Profit and loss account
for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Revenue		322	1,922
Administration costs		8	(1,040)
Exploration costs written off		-	-
Operating profit	3	330	882
Impairment of fixed asset investment	7	(214)	(45,112)
Interest receivable and similar income	4	1,116	1,898
Interest payable and similar charges	5	(2,352)	(5,617)
Loss on ordinary activities before taxation		(1,120)	(47,949)
Taxation on loss on ordinary activities	6	-	-
Loss for the year		(1,120)	(47,949)

All amounts relate to continuing activities.

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

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of £1,120,000 for the year ended 31 March 2013 (2012 - loss of £47,949,000).

The notes on pages 8 to 18 form part of these financial statements.

Star Energy Group Limited

Balance sheet
at 31 March 2013

	Note	31 March 2013		31 March 2012	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	7		60,077		60,291
			60,077		60,291
Current assets					
Debtors - due within 1 year	8	9		2,668	
- due after 1 year	8	38,714		31,321	
Cash in hand and at bank		-		4,290	
		38,723		38,279	
Creditors: amounts falling due within one year	9	(11,586)		(12,201)	
Net current assets			27,137		26,078
Total assets less current liabilities			87,214		86,369
Creditors: amounts falling due after more than one year	10		(104,078)		(102,113)
Net liabilities			(16,864)		(15,744)
Capital and reserves					
Called up share capital	12		9,526		9,526
Capital reserve account	12		1,303		1,303
Share premium account	12		-		-
Profit and loss account	12		(27,693)		(26,573)
Total shareholders' deficit			(16,864)		(15,744)

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

Stephen Bowler
Director

The notes on pages 8 to 18 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The following principal accounting policies have been applied:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under *FRS 1: Cash Flow Statements* the company is exempt from the requirement to prepare a cash flow statement on the grounds that its immediate parent undertaking includes the company in its own published consolidated financial statements.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated group financial statements. These financial statements therefore present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the UK, the company has taken advantage of the exemption contained in *FRS 8: Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGAS Energy Plc and Star Energy Group Limited both belong to. The consolidated financial statements of IGAS Energy Plc in which this company is included, can be obtained from its registered office.

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the period ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Changes in accounting policies

There have been no changes in accounting policies adopted during the year.

Investments

Investments in subsidiary undertakings are stated at cost net of any provision for impairment.

Impairment

Fixed asset investments in subsidiaries are held at cost. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

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

1 Accounting policies *(Continued)*

Post retirement benefits

The Company does not operate a defined contribution pension scheme, although it does contribute to employee's pension schemes. The amount charged against profits represents the contributions payable to the schemes in respect of the financial year.

Revenue

Revenue is derived from management fees to affiliates and is recognised in the profit and loss account in the month the service is provided.

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

Interest receivable and payable

Amounts relating to interest receivable and payable are recognised in the profit and loss account in the period incurred or accrued.

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2 Directors and employees

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Wages and salaries	(101)	1,609
Social security costs	35	329
Other pension costs	-	83
	66	2,021
Amount attributable to the highest paid director:		
Director's emoluments	-	830
Company contributions to pension scheme	-	17
	-	847

The average number of employees of the Company during the year was nil (2012 - 5), all of whom were employed in the UK. In 2012 there were termination payments totalling £1,137,000 paid to the former directors.

No remuneration has been paid to current directors in respect of services to Star Energy Group Limited (2012- nil). The total remuneration paid to current group directors is disclosed in the IGas Energy Plc financial statements.

3 Operating profit

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Operating loss is stated after charging/(crediting):		
Auditors' remuneration	31	32
Management recharge	-	(801)

4 Interest receivable and similar income

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Bank interest receivable	2	348
Intercompany interest	1,114	1,550
	1,116	1,898

5 Interest payable and similar charges

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Bank loans and overdrafts	-	(181)
Intercompany interest	(1,966)	(2,334)
Foreign exchange losses	(386)	(3,102)
	(2,352)	(5,617)

No interest was capitalised during the year.

6 Taxation on profit from ordinary activities

Analysis of tax charge in year

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
UK corporation tax		
Current charge at tax rate of 24% (2012 – 26%)		
Adjustment in respect of prior years	-	-
Deferred tax		
Origination of timing differences		
Adjustment in respect of prior years	-	-
	-	-
Tax charge on Loss on ordinary activities	-	-

6 Taxation on loss from ordinary activities (Continued)

Factors affecting the current tax charge for the current year

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

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Loss on ordinary activities before tax	(1,120)	(47,949)
Loss on ordinary activities at the weighted average rate of corporation tax in the UK of 24% (2012 – 26%)	269	12,467
Effects of:		
Expenses not deductible for tax purposes	(51)	(11,736)
Losses carried forward to future periods	(218)	(731)
Total current tax charge (see above)	-	-

Factors that may affect future tax charges

The company has total tax losses carried forward of £19.4 million (2012 – £18.5 million) on which no deferred tax is recognised. No deferred tax asset is recognised in respect of these losses carried forward to future periods due to the uncertainty of the timing of future taxable profits. This may affect future tax charges should the company produce sufficient taxable profits in future periods.

7 Investment in subsidiary undertakings

	Shares in Group undertakings £'000
Cost	
At 1 April 2012	60,291
Additions	-
Disposal	-
Impairment	(214)
At 31 March 2013	60,077

At the year end the company's direct subsidiary undertakings consist of Star Energy Limited, Star Energy Weald Basin Limited and Star Energy Oil and Gas Limited and indirect subsidiary undertakings of Star Energy (East Midlands) Limited and Star Energy Oil UK Limited. The company owns directly or indirectly 100% of the £1 ordinary shares in these subsidiaries.

At 31 March 2013 an impairment review was carried out for the remaining subsidiaries. This resulted in an impairment of £214,000 in the investment of Star Energy Group Limited being charged to the profit and loss account.

8 Debtors

	31 March 2013 £'000	31 March 2012 £'000
Other debtors	9	47
Amounts owed by affiliates	38,714	33,942
	38,723	33,989

Amounts falling due after more than 1 year included above are :

Amounts owed by affiliates	38,714	31,321

9 Creditors: amounts falling due within one year

	31 March 2013 £'000	31 March 2012 £'000
Amounts owed to affiliates	(10,822)	(11,342)
Taxation and social security	-	(43)
Accruals and deferred income	(764)	(816)
	(11,586)	(12,201)

10 Creditors: amounts falling due after more than one year

	31 March 2013 £'000	31 March 2012 £'000
Loan from parent company	(102,578)	(100,613)
Loan from affiliate	(1,500)	(1,500)
	(104,078)	(102,113)
Analysis of debt:		
Debt can be analysed as falling due:		
Within one year or on demand	-	-
Between one and two years	(102,578)	(100,613)
Between two and five years	(1,500)	(1,500)
	(104,078)	(102,113)

No security is given over the debt

11 Share capital

	Authorised			
	31 March 2013 Number	31 March 2012 Number	31 March 2013 £	31 March 2012 £
Ordinary 10p shares	142,000,000	142,000,000	14,200,000	14,200,000

	Authorised and issued			
	31 March 2013 Number	31 March 2012 Number	31 March 2013 £	31 March 2012 £
Ordinary shares of 10p each	95,260,775	95,260,775	9,526,078	9,526,078
	95,260,775	95,260,775	9,526,078	9,526,078

	Allotted, called up and fully paid			
	31 March 2013 Number	31 March 2012 Number	31 March 2013 £	31 March 2012 £
Ordinary shares of 10p each	95,260,775	95,260,775	9,526,078	9,526,078

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

The ordinary shares also confer the right to receive dividends.

12 Capital and Reserves

	Share capital £'000	Capital reserve account £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At beginning of the year	9,526	1,303	-	(26,573)	(15,744)
Total retained loss for the year	-	-	-	(1,120)	(1,120)
Capital reduction	-	-	-	-	-
Loan distribution	-	-	-	-	-
At end of the year	9,526	1,303	-	(27,693)	(16,864)

13 Reconciliation of movements in shareholder's funds

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Retained loss for the financial year	(1,120)	(47,949)
Loan distribution	-	(115,231)
Net decrease to shareholder's funds	(1,120)	(163,180)
Opening shareholder's funds	(15,744)	147,436
Closing shareholder's (deficit) / funds	(16,864)	(15,744)

The loan distribution took place on 13 December 2011 by way of a dividend in specie and was required as part of the reorganisation that took place to sell the gas storage subsidiaries, incorporating Star Energy HG Gas Storage Limited, Star Energy Gas Storage Services Limited, Gas Storage Limited, Overseas Gas Storage Limited and Dansk Gaslager ApS, to Petronas Energy Trading Limited.

14 Immediate parent company and ultimate controlling party

The immediate parent company is IGas Energy plc, which is incorporated in England and Wales.

IGas Energy consolidated financial statements are publicly available from the registered office 7 Down Street, London, W1J 7AT.

15 Post balance sheet events

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

Star Energy Group Limited's
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Year Ended

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Star Energy Group Limited

Annual report and financial statements
for the year ended 31 March 2012

Contents

Page:

Directors

Andrew Austin
Stephen Bowler

Secretary

MoFo Secretaries Limited

Registered office

7 Down Street, London, W1J 7AT

Company number

5054503

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Star Energy Group Limited

Annual report of the directors
for the year ended 31 March 2012

The directors present their annual report together with the audited financial statements for the year ended 31 March 2012

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year

The company made a loss for the year of £13,168,000 (2011 - loss of £4,310,000) and the loss is transferred to reserves giving an accumulated surplus carried forward at 31 March 2012 of £8,208,000 (2011 – deficit £18,847,000) No dividend was paid during the year (2011 - £Nil)

Principal activities, trading review and future development

Star Energy Group Limited is a holding company that provided management services to its subsidiaries until the group was acquired on 14 December 2012 by IGas Energy plc

The directors are satisfied with the results for the year as the loss is mainly due to the impairment in the investment of subsidiaries and so is a one-off charge Going forward they intend to maintain the company as a holding company with the principal activity of its subsidiaries being the selling of crude oil

On 8 December 2011, the company disposed of its wholly owned subsidiaries Star Energy HG Gas Storage Limited, Star Energy Gas Storage Services Limited, Gas Storage Limited, Overseas Gas Storage Limited and Dansk Gaslager ApS for a consideration of £47 3 million On 14 December 2011, the whole issued share capital of the company was acquired by IGas Energy plc

The company's risks and key performance indicators are only reported and managed at the IGas Energy Group level To gain a further understanding of this business further details are disclosed in the Annual Report and Accounts of IGas Energy plc

The company, due to its size, has taken advantage of the exemption available under Section s417(1) of the Companies Act 2006 not to present a business review in accordance with the Companies Act 2006 requirements

Going concern

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements

The financial statements have been prepared on the going concern basis, the validity of which depends upon the future support of the company's parent undertaking, IGas Energy plc The directors have no reason to believe that this support will not continue and have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least one year from the date of approval of the financial statements

Charitable and political donations

During the year, the Company made charitable contributions in the UK totalling £10,000 (2011 - £nil)

Directors and directors' interests

The directors of the Company who served during the year and subsequent to the year end were as follows

Colin Judd (resigned 21 November 2011)
Roland Wessel (resigned 21 November 2011)
Tengku Muhammad Taufik Tengku Aziz (resigned 9 December 2011)
David Gair (resigned 7 December 2011)
Mohd Jukris Abdul Wahab (resigned 24 August 2011)
Lau Nai Tuang (resigned 1 July 2011)
Roger Pearson (resigned 9 December 2011)
Emran Othman (appointed 1 July 2011 and resigned 9 December 2011)
Swee Yoke Yap (appointed 1 July 2011 and resigned 9 December 2011)
Muhammad Zamri Jusoh (appointed 1 July 2011 and resigned 9 December 2011)
Pramod Kumar Karunakaran (appointed 12 September 2011 and resigned 9 December 2011)
Andrew Austin (appointed 9 December 2011)
Stephen Bowler (appointed 9 December 2011)

Corporate governance

Star Energy Group Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year In preparing those financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business

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

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

Directors' 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 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 54 of the Company's Articles of Association as adopted on 5 October 2009 These provisions remained in force throughout the year and remain in place at the date of this report

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

Stephen Bowler
Director
15 February 2013

Star Energy Group Limited

Independent auditors' report to the shareholder of Star Energy Group Limited

We have audited the financial statements of Star Energy Group Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of total recognised gains and losses, the Balance Sheet and the related notes 1 to 14 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst + Young LLP

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst &Young LLP, Statutory Auditor
London
15 February 2013

Star Energy Group Limited

Profit and loss account
for the year ended 31 March 2012

	Note	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Revenue		1,922	945
Administration costs		(1,040)	(3 829)
Exploration costs written off		-	(2,000)
Operating profit / (loss)	3	882	(4,884)
Impairment of fixed asset investment	7	(45,112)	-
Interest receivable and similar income	4	1,898	1,428
Interest payable and similar charges	5	(5,617)	(854)
Loss on ordinary activities before taxation		(47,949)	(4,310)
Taxation on loss on ordinary activities	6	-	-
Loss for the year		(47,949)	(4,310)

All amounts relate to continuing activities

Statement of total recognised gains and losses
for the year ended 31 March 2012

There are no recognised gains or losses attributable to the shareholder of the company other than the loss of £47,949 for the year ended 31 March 2012 (2011 - loss of £4,310,000)

The notes on pages 8 to 17 form part of these financial statements

Star Energy Group Limited

Balance sheet
at 31 March 2012

	Note	31 March 2012		31 March 2011	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	7		60,291		257,003
			60,291		257,003
Current assets					
Debtors - due within 1 year	8	2,668		45	
- due after 1 year	8	29,821		-	
Cash in hand and at bank		4,290		32,463	
		36,779		32,508	
Creditors amounts falling due within one year	9	(12,201)		(5,439)	
Net current assets			24,578		27,069
Total assets less current liabilities			84,869		284,072
Creditors: amounts falling due after more than one year	10		(100,613)		(136,636)
Net (liabilities)/assets			(15,744)		147,436
Capital and reserves					
Called up share capital	12		9,526		9,526
Capital reserve account	12		1,303		1,303
Share premium account	12		-		155,454
Profit and loss account	12		(26,573)		(18,847)
Total shareholders' (deficit)/funds			(15,744)		147,436

The financial statements were approved by the Board of Directors and authorised for issue on 15 February 2013

Stephen Bowler
Director

The notes on pages 8 to 17 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice The following principal accounting policies have been applied

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards and under the historical cost accounting rules

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements

The financial statements have been prepared on the going concern basis, the validity of which depends upon the future support of the company's parent undertaking, IGas Energy plc The directors have no reason to believe that this support will not continue and have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least one year from the date of approval of the financial statements

Under *FRS 1 Cash Flow Statements* the company is exempt from the requirement to prepare a cash flow statement on the grounds that its immediate parent undertaking includes the company in its own published consolidated financial statements

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated group financial statements These financial statements therefore present information about the company as an individual undertaking and not about its group

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the UK, the company has taken advantage of the exemption contained in *FRS 8 Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGAS Energy Plc and Star Energy Group Limited both belong to The consolidated financial statements of IGAS Energy Plc in which this company is included, can be obtained from its registered office

Changes in accounting policies

There have been no changes in accounting policies adopted during the year

Investments

Investments in subsidiary undertakings are stated at cost net of any provision for impairment

Impairment

Fixed asset investments in subsidiaries are held at cost The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable If any such indication of impairment exists, the company makes an estimate of its recoverable amount Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount

Foreign currencies

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

1 Accounting policies *(Continued)*

Post retirement benefits

The Company does not operate a defined contribution pension scheme, although it does contribute to employee's pension schemes The amount charged against profits represents the contributions payable to the schemes in respect of the financial year

Revenue

Revenue is derived from management fees to affiliates and is recognised in the profit and loss account in the month the service is provided

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date

Interest receivable and payable

Amounts relating to interest receivable and payable are recognised in the profit and loss account in the period incurred or accrued

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Star Energy Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 *(Continued)*

2 Directors and employees

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Wages and salaries	1,609	2,311
Social security costs	329	171
Other pension costs	83	93
	2,021	2,575
Amount attributable to the highest paid director		
Director's emoluments	830	496
Company contributions to pension scheme	17	25
	847	475

The average number of employees of the Company during the year was 5 (2011 - 5), all of whom were employed in the UK There were termination payments totalling £1,137,000 paid to the former directors

Subsequent to 14 December 2011, no management charge has been made by IGas Energy plc It is not considered possible to determine the level of remuneration recharged

The total remuneration paid to current group directors is disclosed in the IGas Energy Plc financial statements

3 Operating profit/(loss)

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Operating loss is stated after charging/(crediting)		
Auditors' remuneration	32	93
Management recharge	(801)	(790)
Exploration costs written off	-	(2,000)

Star Energy Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 *(Continued)*

4 Interest receivable and similar income

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Bank interest receivable	348	9
Intercompany interest	1,550	-
Foreign exchange gains	-	1,419
	1,898	1,428

5 Interest payable and similar charges

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Bank loans and overdrafts	(181)	-
Intercompany interest	(2,334)	(854)
Foreign exchange losses	(3,102)	-
	(5,617)	(854)

No interest was capitalised during the year

Star Energy Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 *(Continued)*

6 Taxation on profit from ordinary activities

Analysis of tax charge in year

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
UK corporation tax		
Current charge at tax rate of 26% (2011 – 28%)		
Adjustment in respect of prior years	-	-
Deferred tax		
Origination of timing differences		
Adjustment in respect of prior years	-	-
	-	-
Tax charge on profit on ordinary activities	-	-

Factors affecting the current tax charge for the current year

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Loss on ordinary activities before tax	(47,949)	(4,310)
Loss on ordinary activities at the weighted average rate of corporation tax in the UK of 26% (2011 – 28%)	12,467	1,207

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

Effects of		
Expenses not deductible for tax purposes	(11,736)	(569)
Losses carried forward to future periods	(731)	(638)
Total current tax charge (see above)	-	-

Factors that may affect future tax charges

The company has total tax losses carried forward of £19 5 million (2011 – £19 6 million) on which no deferred tax is recognised No deferred tax asset is recognised in respect of these losses carried forward to future periods due to the uncertainty of the timing of future taxable profits This may affect future tax charges should the company produce sufficient taxable profits in future periods

7 Investment in subsidiary undertakings

	Shares in Group undertakings £'000
Cost	
At 1 April 2011	257,003
Additions	5,000
Disposal	(156,600)
Impairment	(45,112)
At 31 March 2012	60,291

Additions during the year relate to loans to subsidiary undertakings to cover operational activities

At the year end the company's direct subsidiary undertakings consist of Star Energy Limited, Star Energy Weald Basin Limited and Star Energy Oil and Gas Limited and indirect subsidiary undertakings of Star Energy (East Midlands) Limited and Star Energy Oil UK Limited The company owns directly or indirectly 100% of the £1 ordinary shares in these subsidiaries

On 8 December 2011, the company disposed of its wholly owned subsidiaries Star Energy HG Gas Storage Limited, Star Energy Gas Storage Services Limited, Gas Storage Limited, Overseas Gas Storage Limited and Dansk Gaslager ApS at book value of £156,600,000 for a cash consideration of £47,288,000 and disposed of loans of £109,312,000 as part of restructuring that occurred during the year

At 31 March 2012 an impairment review was carried out for the remaining subsidiaries This resulted in an impairment of £45,112,000 in the investment of Star Energy Limited being charged to the profit and loss account

8 Debtors

	31 March 2012 £'000	31 March 2011 £'000
Other debtors	47	42
Amounts owed by affiliates	32,442	-
Prepayments and accrued income	-	3
	32,489	45
Amounts falling due after more than 1 year included above are		
Amounts owed by affiliates	29,821	-

9 Creditors: amounts falling due within one year

	31 March 2012 £'000	31 March 2011 £'000
Trade creditors	-	(14)
Amounts owed to affiliates	(11,342)	(2,328)
Amounts owed to related parties	-	(885)
Taxation and social security	(43)	(52)
Accruals and deferred income	(816)	(2,160)
	(12,201)	(5,439)

10 Creditors: amounts falling due after more than one year

	31 March 2012 £'000	31 March 2011 £'000
Loan from parent company	(100,613)	(136,636)
	(100,613)	(136,636)
Analysis of debt:		
Debt can be analysed as falling due		
Within one year or on demand	-	-
Between one and two years	(100,613)	(136,636)
Between two and five years	-	-
	(100,613)	(136,636)

No security is given over the debt

11 Share capital

	Authorised			
	31 March 2012 Number	31 March 2011 Number	31 March 2012 £	31 March 2011 £
Ordinary 10p shares	142,000,000	142,000,000	14,200,000	14,200,000

	Authorised and issued			
	31 March 2012 Number	31 March 2011 Number	31 March 2012 £	31 March 2011 £
Ordinary shares of 10p each	95,260,775	95,260,775	9,526,078	9,526,078
	95,260,775	95,260,775	9,526,078	9,526,078

	Allotted, called up and fully paid			
	31 March 2012 Number	31 March 2011 Number	31 March 2012 £	31 March 2011 £
Ordinary shares of 10p each	95,260,775	95,260,775	9,526,078	9,526,078

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

The ordinary shares also confer the right to receive dividends

12 Capital and Reserves

	Share capital £'000	Capital reserve account £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At beginning of the year	9,526	1,303	155,454	(18,847)	147,436
Total retained loss for the year	-	-	-	(47,949)	(60,292)
Capital reduction	-	-	(155,454)	155,454	-
Loan distribution	-	-	-	(115,231)	(115,231)
At end of the year	9,526	1,303	-	(26,573)	(15,744)

On 13 December 2011, the company passed a special resolution, in accordance with section 641 of the Companies Act 2006, to reduce the credit of the share premium by £155,454,000 to nil This transfer to retained profits was required as part of the reorganisation that took place before the acquisition by IGas Energy plc

The loan distribution took place on 13 December 2011 by way of a dividend in specie and was required as part of the reorganisation that took place to sell the gas storage subsidiaries, incorporating Star Energy HG Gas Storage Limited, Star Energy Gas Storage Services Limited, Gas Storage Limited, Overseas Gas Storage Limited and Dansk Gaslager ApS, to Petronas Energy Trading Limited

13 Reconciliation of movements in shareholder's funds

	Year ended 31 March 2012 £'000	Year ended 31 March 2012 £'000
Retained loss for the financial year	(47,949)	(4,310)
Loan distribution (note 12)	(115,231)	-
Net decrease to shareholder's funds	(163,180)	(4,310)
Opening shareholder's funds	147,436	151,746
Closing shareholder's (deficit) / funds	(15,744)	147,436

14 Immediate parent company and ultimate controlling party

The immediate parent company is IGas Energy plc, which is incorporated in England and Wales

IGas Energy consolidated financial statements are publicly available from the registered office 7 Down Street, London, W1J 7AT

15 Post balance sheet events

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

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Star Energy Limited

Annual Report and Financial Statements

Year Ended

31 March 2013

Star Energy Limited

Annual report and financial statements for the year ended 31 March 2013

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Directors

Andrew Austin
Stephen Bowler

Secretary

MoFo Secretaries Limited

Registered office

7 Down Street London, W1J 7AT

Company number

3806814

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Star Energy Limited

Report of the directors
for the year ended 31 March 2013

The directors present their report together with the audited financial statements for the year ended 31 March 2013.

Results and dividends

The profit and loss account is set out on page 6.

The company made a loss for the year of £213,000 (2012 – loss of £1,517,000) and the loss is transferred to reserves giving an accumulated surplus carried forward at 31 March 2013 of £15,483,000 (2012 - £15,696,000). No dividend is proposed to be paid for the year (2012 – £Nil).

Principal activities, trading review and future development

Star Energy Limited is a holding company providing management services to the IGas Energy group of companies. The principal activities of the Group are that of crude oil exploration, development and production, and electricity generation.

On 27 February 2012, Larchford Limited was placed into liquidation. The process of liquidation is still proceeding and although the assets of the company have been realised by the liquidator no distribution to unsecured creditors and shareholders had been determined at the date of signing the accounts. The company's investment of £100,000 and a receivable of £888,000 were provided against in the year ended 31 March 2012 and in the opinion of the Directors should remain fully provided against as at the balance sheet date.

The directors are satisfied with the results for the year and intend for the company to continue with providing management services in the future.

Principal risks, uncertainties and KPIs

The company's principal risks, uncertainties and key performance indicators are managed at the IGas Energy Group level. The main financial risks faced by the company through its normal business activities, are credit risk and liquidity risk. The management of these financial risks is performed at a group level. The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity.

The company, due to its size, has taken advantage of the exemption available under Section s417(1) of the Companies Act 2006 not to present a business review in accordance with the Companies Act 2006 requirements.

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Charitable donations

During the year, the company made charitable contributions of £550 (2012 – £1,500). The company made no political contributions.

Directors

The directors of the company during the year were:

Andrew Austin
Stephen Bowler

Corporate governance

Star Energy Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors' 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 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 54 of the Company's Articles of Association as adopted on 5 October 2009. These provisions remained in force throughout the year and remain in place at the date of this report.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Stephen Bowler
Director

05 September 2013

Star Energy Limited

Independent auditors' report to the shareholder of Star Energy Limited

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We have audited the financial statements of Star Energy Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

Matters on which we are required to report by exception *(continued)*

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
05 September 2013

Star Energy Limited

Profit and loss account
for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Revenue		2,346	4,032
Administration costs		(2,995)	(4,867)
Other operating income		38	-
Operating loss	4	(611)	(835)
Loss on sale of fixed assets		(2)	(234)
Provision against fixed asset investments		-	(100)
Provision against debtor		-	(888)
Interest receivable and similar income	5	412	27
Interest payable and similar charges	6	(12)	(55)
Loss on ordinary activities before taxation		(213)	(2,085)
Taxation on loss on ordinary activities	7	-	568
Loss for the year	14	(213)	(1,517)

All amounts relate to continuing activities.

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

There are no recognised gains or losses attributable to the shareholder of the company other than the loss of £213,000 for the year ended 31 March 2013 (2012 – loss of £1,517,000).

The notes on pages 8 to 17 form part of these financial statements.

Star Energy Limited

Balance sheet
at 31 March 2013

	Note	31 March 2013		31 March 2012	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8	219		354	
Investments	9	-		-	
			219		354
Current assets					
Debtors - due within 1 year	10	24,708		21,480	
- due after 1 year	10	1,500		1,500	
Cash at bank and in hand		19		19	
			26,227		22,999
Creditors: amounts falling due within one year	11	(10,963)		(7,657)	
Net current assets			15,264		15,342
Total assets less current liabilities			15,483		15,696
Net assets			15,483		15,696
Capital and reserves					
Called up share capital	12	5,183		5,183	
Share premium account	13	9,907		9,907	
Capital reserves	13	306		306	
Profit and loss account	13	87		300	
Shareholder's funds	14		15,483		15,696

The financial statements were approved by the Board of Directors and authorised for issue on 05 September 2013.

Stephen Bowler
Director

The notes on pages 8 to 17 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The following principal accounting policies have been applied:

Basis of preparation

Under *FRS 1: Cash Flow Statements* the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated group financial statements. These financial statements therefore present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the UK, the company has taken advantage of the exemption contained in *FRS 8: Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGas Energy plc and Star Energy Limited both belong to. The consolidated financial statements of IGas Energy plc, in which this company is included, can be obtained from its registered office.

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Changes in accounting policies

There have been no changes in accounting policies during the year.

Tangible fixed assets

Tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment. Depreciation is calculated on all tangible fixed assets, other than freehold land, on a straight-line basis at rates calculated to write off the cost of those assets, less estimated residual value, over its expected useful life of between 3 and 5 years.

Taxation

UK current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. No charge or credit is given for group relief.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

1 Accounting policies *(Continued)*

Taxation (Continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the weighted average tax rates that are expected to applying the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases

Operating leases and the corresponding rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

Investments

Investments in associates are stated at cost net of any provision for impairment.

Impairment

The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Foreign currencies

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

Post retirement benefits

The company is a subsidiary of Star Energy Group Limited which 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 against profits represents the contributions payable to the scheme in respect of the accounting year.

Revenue

Revenue is derived from management fees to affiliates and is recognised in the profit and loss account in the month the service is provided. The Company holds certain employment contracts for the benefit of the entire Group. Where the risk, and therefore cost, of an employee being underutilised lies with the Company, the Company acts as principal, recognises employment costs in administrative expenses and a management recharge as revenue. However, where the risk lies with an affiliate, the Company acts as an agent and recognises the management recharge net of employment cost in administrative expenses.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

1 Accounting policies *(Continued)*

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2 Employees

Staff costs consist of:

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Wages and salaries	6,170	2,202
Social security costs	534	326
Other pension costs	472	160
	7,176	2,688

The average number of employees, including directors, during the year were:	Number	Number
Technical	108	17
Administrative	21	12
	129	29

On 14 December 2011 Star Energy Group Limited and its subsidiaries, including the company, were sold to IGas Energy plc. As a result of subsequent restructuring employees previously employed by Star Energy Oil & Gas Limited were transferred to Star Energy Limited.

The employees have been paid by Star Energy Limited both pre and post acquisition, even though the majority of the staff work for other subsidiaries of IGas Energy plc. Star Energy Limited recharges the cost of their employment to the appropriate subsidiary as part of a management charge. The prior year figures stated above, show the net employment expense, whereas the current year figures show the gross employment expense, reflecting the fact the employees are now employed by Star Energy Limited.

During the year ended 31 March 2013, the management recharge recognised in Administration Costs was £5,702,000.

3 Remuneration of directors

No directors serving at the balance sheet date or during the year ended 31 March 2013 were paid any emoluments directly by the company (2012: £nil) for services to the company.

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

The total remuneration paid to current group directors is disclosed in the IGas Energy plc financial statements.

4 Operating loss

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Operating loss is stated after charging/(crediting):		
Auditors' remuneration	43	30
Depreciation:		
- Short leasehold buildings	-	30
- Fixtures & fittings	152	394
Operating lease charges:		
- Premises	67	366
Management recharge		
- Reflected as revenue	(2,346)	(3,900)
- Reflected as a recharge in admin expenses	(5,702)	(6,751)

5 Interest receivable and similar income

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Bank interest receivable	-	24
Other interest receivable	412	3
	412	27

6 Interest payable and similar charges

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Foreign exchange losses	1	19
Bank loans and overdrafts	11	36
	12	55

7 Tax charge on loss on ordinary activities

Analysis of the company tax credit in the year:

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Current tax		
UK corporation tax	-	-
Adjustments in respect of previous years	-	568
Deferred tax		
Origination of timing differences	-	-
Tax credit on loss on ordinary activities	-	568

Factors affecting the company current tax credit for the current year

The tax assessed for the year is lower than the weighted average rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Loss on ordinary activities before tax	(213)	(2,085)
Loss on ordinary activities at the weighted average rate of corporation tax in the UK of 24% (2012 - 26 %)	51	542
Effects of:		
Expenses not deductible for tax purposes	-	(97)
Depreciation in excess of capital allowances	(2)	(141)
Losses generated but not recognised	(49)	(304)
Adjustments in respect of previous years	-	568
Total current tax credit	-	568

7 Tax charge on loss on ordinary activities *(Continued)*

Factors that may affect future tax charges

The company has total tax losses carried forward of £11,908,000 (2012 – £11,705,000) on which no deferred tax is recognised. No deferred tax asset is recognised in respect of these losses carried forward to future periods due to the uncertainty of the timing of future taxable profits. This may affect future tax changes should the company produce sufficient table trading profits in future periods.

8 Tangible fixed assets

	Fixtures and fittings £'000	Total £'000
Cost		
At 1 April 2012	999	999
Additions	21	21
Disposal	(7)	(7)
At 31 March 2013	1,013	1,013
Depreciation		
At 1 April 2012	645	645
Charge for the year	152	152
Disposal	(3)	(3)
At 31 March 2013	794	794
Net book value		
At 31 March 2013	219	219
At 31 March 2012	354	354

9 Investments

The Company's principal undertakings in which the company's interest at the year end is more than 20% are as follows:

Associate	**Country of incorporation**	**Principal activity**	**Class and percentage of shares held**
Larchford Limited	England	Oil rig contractor	33% of ordinary shares of £1 each

On 27 February 2012, Larchford Limited was placed into liquidation. The process of liquidation is still proceeding and although the assets of the company have been realised by the liquidator no distribution to unsecured creditors and shareholders had been determined at the date of signing the accounts. The Company's, investment of £100,000 was fully provided against in the year ended 31 March 2012 and, in the opinion of the Directors, should remain fully provided against as at the balance sheet date.

10 Debtors

	2013	**2012**
	£'000	**£'000**
Other debtors	98	222
Amounts owed by affiliates	25,911	22,564
Amounts owed by related parties (note 17)	-	-
Prepayments and accrued income	199	194
	26,208	22,980

Amounts falling due after more than 1 year included above are:

Amounts owed by affiliates	1,500	1,500

11 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	17	100
Taxation and social security	115	600
Accruals and deferred income	565	230
Amount owed to affiliates	10,266	6,727
	10,963	7,657

12 Called up share capital

	2013 Number	2012 Number	2013 £'000	2012 £'000
Authorised				
Ordinary shares of 10p each	51,831,429	51,831,429	5,183	5,183
Allotted, called up and fully paid				
Ordinary shares of 10p each	51,831,429	51,831,429	5,183	5,183

13 Capital and reserves

	Share capital £'000	Share premium account £'000	Capital reserves £'000	Profit and loss account £'000	Total £'000
At 1 April 2012	5,183	9,907	306	300	15,696
Loss retained for the year	-	-	-	(213)	(213)
At 31 March 2013	5,183	9,907	306	87	15,483

14 Reconciliation of movements in shareholder's funds

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Loss for the financial year	(213)	(1,517)
Net reduction to shareholder's funds	(213)	(1,517)
Opening shareholder's funds	15,696	17,213
Closing shareholder's funds	15,483	15,696

15 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year ended 31 March 2013 represents contributions payable by the company to pension funds and amounted to £472,000 (2012 - £160,000).

There were no prepaid contributions at either the beginning or the end of the financial year.

Contributions amounting to £Nil (2012 - £46,909) were accrued at 31 March 2013 and are included in creditors.

16 Commitments under operating leases

As at 31 March, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2013 £'000	Land and buildings 2012 £'000
Operating lease which expire:		
Within one year	65	731
In the second to fifth years inclusive	120	2,026
Over five years	-	-
Total operating lease commitments	185	2,757

17 Related party disclosures

On 27 February 2012, Larchford Limited was placed into liquidation. The process of liquidation is still proceeding and although the assets of the company have been realised by the liquidator, no distribution to unsecured creditors and shareholders had been determined at the date of signing the accounts. The Company's investment of £100,000 and receivable of £888,000 were fully provided against in the year ended 31 March 2012 and, in the opinion of the Directors, should remain fully provided against as at the balance sheet date.

18 Immediate parent company and ultimate controlling party

The immediate parent company is Star Energy Group Limited, which is incorporated in England and Wales, and the ultimate controlling party is IGas Energy plc.

IGas Energy consolidated financial statements are publicly available from the registered office 7 Down Street, London, W1J 7AT.

19 Post balance sheet events

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

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Directors

Andrew Austin
Stephen Bowler

Secretary

MoFo Secretaries Limited

Registered office

7 Down Street London, W1J 7AT

Company number

3806814

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Star Energy Limited

Annual Report of the directors
for the year ended 31 March 2012

The directors present their report together with the audited financial statements for the year ended 31 March 2012

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the year

The company made a loss for the year of £1,517,000 (2011 – loss of £721,000) and the loss is transferred to reserves giving an accumulated surplus carried forward at 31 March 2012 of £300,000 (2011 - £1,817,000) No dividend is proposed to be paid for the year (2011 – £Nil)

Principal activities, trading review and future development

Star Energy Limited is a holding company providing management services to the IGas Energy group of companies The principal activities of the Group are that of crude oil exploration, development and production, and electricity generation

During the year Star Energy Group tax affairs were finalised with HMRC, which resulted in an overpayment of £568,000 being refunded to the group As there was no debtor recognised by the group the resulting refund has been recognised in the profit and loss in the current year

On 27 February 2012, Larchford Limited was placed into liquidation In the opinion of the directors the investment of £100,000 and the receivable of £888,000 should be fully provided against as at the balance sheet date

The directors are satisfied with the results for the year as the above are one-off charges and intend for the company to continue with providing management services in the future

On 14 December 2011, the company's parent company, Star Energy Group Limited, was acquired by IGas Energy plc

The company's risks and key performance indicators are only reported and managed at the IGas Energy group level To gain a further understanding of this business further details are disclosed in the Parent's Annual Report and Accounts

The company, due to its size, has taken advantage of the exemption available under Section s417(1) of the Companies Act 2006 not to present a business review in accordance with the Companies Act 2006 requirements

Going concern

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements

The financial statements have been prepared on the going concern basis, the validity of which depends upon the future support of the company's parent undertaking, IGas Energy plc The directors have no reason to believe that this support will not continue and have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least one year from the date of approval of the financial statements

Charitable donations

During the year, the company made charitable contributions of £1,500 (2011 – £23,100) The company made no political contributions

Directors

The directors of the company during the year were

R Wessel (resigned on 21 November 2011)
C Judd (resigned on 21 November 2011)
M J Horgan (resigned on 14 October 2011)
K Reinisch (appointed on 19 September 2011 and resigned on 14 December 2011)
R Pearson (appointed on 19 September 2011 and reisnged on 14 December 2011)
P Karunakaran (appointed 18 October 2011 and resigned on 14 December 2011)
S Yap (appointed 18 October 2011 and resigned 14 December 2011)
T Aziz (appointed 18 October 2011 and resigned 14 December 2011)
E Othman (appointed 18 October and resigned 14 December 2011)
M Jusoh (appointed 18 October 2011 and resigned 14 December 2011)
A Austin (appointed 14 December 2011)
S Bowler (appointed 14 December 2011)

Corporate governance

Star Energy Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

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

Directors' 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 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 54 of the Company's Articles of Association as adopted on 5 October 2009 These provisions remained in force throughout the year and remain in place at the date of this report

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

Stephen Bowler
Director

15 February 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR ENERGY LIMITED

We have audited the financial statements of Star Energy Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst + Young LLP

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
15 February 2013

Star Energy Limited

Profit and loss account
for the year ended 31 March 2012

	Note	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Revenue		4,032	4,573
Administration costs		(4,867)	(5,407)
Operating loss	4	(835)	(834)
Loss on sale of fixed assets		(234)	
Provision against fixed asset investments		(100)	-
Provision against debtor		(888)	-
Interest receivable and similar income	5	27	544
Interest payable and similar charges	6	(55)	(431)
Loss on ordinary activities before taxation		(2,085)	(721)
Taxation on loss on ordinary activities	7	568	-
Loss for the year	14	(1,517)	(721)

All amounts relate to continuing activities

Statement of total recognised gains and losses
for the year ended 31 March 2012

There are no recognised gains or losses attributable to the shareholder of the company other than the loss of £1,517,000 for the year ended 31 March 2012 (2011 – loss of £721,000)

The notes on pages 8 to 17 form part of these financial statements

Star Energy Limited

Balance sheet
at 31 March 2012

	Note	31 March 2012 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2011 £'000
Fixed assets					
Tangible assets	8	354		1,017	
Investments	9		-	978	
			354		1,995
Current assets					
Debtors - due within 1 year	10	21,480		16,300	
- due after 1 year	10	1,500		-	
Cash at bank and in hand		19		93	
			22,999		16,393
Creditors: amounts falling due within one year	11	(7,657)		(1,175)	
Net current assets			15,342		15,218
Total assets less current liabilities			15,696		17,213
Net assets			15,696		17,213
Capital and reserves					
Called up share capital	12	5,183		5,183	
Share premium account	13	9,907		9,907	
Capital reserves	13	306		306	
Profit and loss account	13	300		1,817	
Shareholder's surplus	14		15,696		17,213

The financial statements were approved by the Board of Directors and authorised for issue on 15 February 2013

Stephen Bowler
Director

The notes on pages 8 to 17 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice The following principal accounting policies have been applied

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards and under the historical cost accounting rules

The financial statements have been prepared on the going concern basis, the validity of which dependent upon the future support of the company's parent undertaking IGas Energy plc The directors have no reason to believe that this support will not continue and have reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least one year from the date of approval of the financial statements

Under *FRS 1 Cash Flow Statements* the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated group financial statements These financial statements therefore present information about the company as an individual undertaking and not about its group

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the UK, the company has taken advantage of the exemption contained in *FRS 8 Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGas Energy plc and Star Energy Limited both belong to The consolidated financial statements of IGas Energy plc, in which this company is included, can be obtained from its registered office

Changes in accounting policies

There have been no changes in accounting policies during the year

Tangible fixed assets

Tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment Depreciation is calculated on all tangible fixed assets, other than freehold land, on a straight-line basis at rates calculated to write off the cost of those assets, less estimated residual value, over its expected useful life of between 3 and 5 years

Taxation

UK current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date No charge or credit is given for group relief

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

1 Accounting policies *(Continued)*

Taxation (Continued)

Deferred tax is measured at the weighted average tax rates that are expected to applying the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Leases

Operating leases and the corresponding rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease

Investments

Investments in associates are stated at cost net of any provision for impairment

Impairment

The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable If any such indication of impairment exists, the company makes an estimate of its recoverable amount Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount

Foreign currencies

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

Post retirement benefits

The company is a subsidiary of Star Energy Group Limited which 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 against profits represents the contributions payable to the scheme in respect of the accounting year

Revenue

Revenue is derived from management fees to affiliates and is recognised in the profit and loss account in the month the service is provided

Dividends

Equity dividends are recognised when they become legally payable Interim equity dividends are recognised when paid Final equity dividends are recognised when approved by the shareholders at an annual general meeting Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

2 Employees

Staff costs consist of

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Wages and salaries	2,202	2,282
Social security costs	326	270
Other pension costs	160	162
	2,688	2,714

The average number of employees, including directors, during the year were:	Number	Number
Technical	17	14
Administrative	12	19
	29	33

Following the restructuring of the Star Energy Group payroll in August 2007, Star Energy Limited pays all staff costs for Star Energy Group Limited, apart from the directors, even though the majority of the staff work for other subsidiaries of Star Energy Group Limited and were employed by Star Energy Oil & Gas Limited Star Energy Limited recharges the cost of their employment to the appropriate subsidiary as part of a management charge On 14 December 2011 Star Energy Group Limited and its subsidiaries were sold to IGas Energy plc As a result of subsequent restructuring employees previously employed by Star Energy Oil & Gas Limited were transferred to Star Energy Limited

3 Remuneration of directors

No directors serving at the balance sheet date or during the year ended 31 March 2012 were paid any emoluments directly by the company (2011 £nil) for services to the company

With respect to the period to 14 September 2011 no management charge has been made by Star Energy Group Limited

Subsequent to 14 December 2011, no management charge has been made by IGas Energy plc It is not considered possible to determine the level of remuneration recharged

The total remuneration paid to current group directors is disclosed in the IGas Energy Plc financial statements

Star Energy Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 *(Continued)*

4 Operating loss

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Operating loss is stated after charging/(crediting)		
Auditors' remuneration	30	40
Depreciation		
- Short leasehold buildings	30	62
- Fixtures & fittings	394	335
Operating lease charges		
- Premises	366	842
Management recharge	(2,866)	(3,542)

5 Interest receivable and similar income

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Bank interest receivable	24	86
Other interest receivable	3	-
Amounts from group undertakings	-	458
	27	544

6 Interest payable and similar charges

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Exchange rate difference	19	431
Bank loans and overdrafts	36	-
	55	431

7 Tax charge on loss on ordinary activities

Analysis of the company tax credit in the year

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Current tax		
UK corporation tax	-	-
Adjustments in respect of previous years	568	-
Deferred tax		
Origination of timing differences	-	-
Tax credit on loss on ordinary activities	568	-

Factors affecting the company current tax credit for the current year

The tax assessed for the year is lower than the weighted average rate of corporation tax in the UK The differences are explained below

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Loss on ordinary activities before tax	(2,085)	(721)
Loss on ordinary activities at the weighted average rate of corporation tax in the UK of 26% (2011 - 28 %)	542	202
Effects of		
Expenses not deductible for tax purposes	(97)	(24)
Depreciation in excess of capital allowances	(141)	(178)
Losses utilised/(generated)	(304)	-
Adjustments in respect of previous years	568	-
Total current tax credit	568	-

7 Tax charge on loss on ordinary activities *(Continued)*

Factors that may affect future tax charges

The company has total tax losses carried forward of £6,900,000 (2011 – £6,900,000) on which no deferred tax is recognised No deferred tax asset is recognised in respect of these losses carried forward to future periods due to the uncertainty of the timing of future taxable profits This may affect future tax changes should the company produce sufficient table trading profits in future periods

8 Tangible fixed assets

	Short Leasehold Buildings £'000	Oil and gas properties £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2011	279	91	2,218	2,588
Additions	-	-	104	104
Disposal	(279)	(91)	(1,323)	(1,693)
At 31 March 2012	-	-	999	999
Depreciation				
At 1 April 2011	221	-	1,350	1,571
Charge for the year	30	-	394	424
Disposal	(251)	-	(1,099)	(1,350)
At 31 March 2012	-	-	645	645
Net book value				
At 31 March 2012	-	-	354	354
At 31 March 2011	58	91	868	1,017

9 Investments

	2012 £'000	2011 £'000
Fixed asset investments	-	978
	-	978

Fixed asset investments

	Shares in unlisted investments £'000
Cost	
At 1 April 2011	978
Amount written off	(978)
At 31 March 2012	-

The principal undertakings in which the company's interest at the year end is more than 20% are as follows

Associate	Country of incorporation	Principal activity	Class and percentage of shares held
Larchford Limited	England	Oil rig contractor	33% of ordinary of £1 each

On 27 February 2012, Larchford Limited was placed into liquidation In the opinion of the directors the investment and the loan should be fully provided against as at the balance sheet date

10 Debtors

	2012 £'000	2011 £'000
Other debtors	222	15,100
Amounts owed by affiliates	22,564	2,328
Amounts owed by related parties (note 17)	-	597
Prepayments and accrued income	194	541
Deferred tax asset (note 7)	-	-
Corporation tax	-	5,234
Less Provision for impairment of other debtors	-	(7,500)
	22,980	16,300

Amounts falling due after more than 1 year included above are

	2012	2011
Amounts owed by affiliates	1,500	-

11 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	100	32
Taxation and social security	600	239
Accruals and deferred income	230	893
Amount owed to affiliates	6,727	-
Amount owed to related parties	-	11
	7,657	1,175

12 Called up share capital

	2012 Number	2011 Number	2012 £'000	2011 £'000
Authorised				
Ordinary shares of 10p each	51,831,429	51,831,429	5,183	5,183
Allotted, called up and fully paid				
Ordinary shares of 10p each	51,831,429	51,831,429	5,183	5,183

13 Capital and reserves

	Share capital £'000	Share premium account £'000	Capital reserves £'000	Profit and loss account £'000	Total £'000
At 1 April 2011	5,183	9,907	306	1,817	17,213
Loss retained for the year	-	-	-	(1,517)	(1,517)
At 31 March 2012	5,183	9,907	306	300	15,696

14 Reconciliation of movements in shareholder's funds

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Loss for the financial year	(1,517)	(721)
Net reduction to shareholder's funds	(1,517)	(721)
Opening shareholder's funds	17,213	17,934
Closing shareholder's funds	15,696	17,213

15 Pension scheme

The company operates a defined contribution pension scheme The pension cost charge for the year ended 31 March 2012 represents contributions payable by the company to pension funds and amounted to £160,000 (2011 - £162,000)

There were no prepaid contributions at either the beginning or the end of the financial year

Contributions amounting to £46,909 (2011 - £57,947) were accrued at 31 March 2012 and are included in creditors

16 Commitments under operating leases

As at 31 March, the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2012 £'000	Land and buildings 2011 £'000	Other 2012 £'000	Other 2011 £'000
Operating lease which expire				
Within one year	731	800	-	11
In the second to fifth years inclusive	2,026	2,757	-	-
Over five years	-	-	-	-
Total operating lease commitments	2,757	3,557	-	11

17 Related party disclosures

On 27 February 2012, Larchford Limited was placed into liquidation and so in the opinion of the directors the investment and the loan should be provided against as at the balance sheet date (2011 - £350,000)

18 Capital commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows

	2012 £'000	2011 £'000
Contracted	-	105

19 Immediate parent company and ultimate controlling party

The immediate parent company is Star Energy Group Limited, which is incorporated in England and Wales, and the ultimate controlling party is IGas Energy plc

IGas Energy consolidated financial statements are publicly available from the registered office 7 Down Street, London, W1J 7AT

20 Post balance sheet events

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

Star Energy Weald Basin Limited's
Annual Returns
2013

Star Energy Weald Basin Limited

Annual report and Financial Statements

Year Ended

31 March 2013

Star Energy Weald Basin Limited

Annual report and financial statements
for the year ended 31 March 2013

Contents

Page:

Directors

A Austin
S Bowler

Secretary

MoFo Secretaries Limited

Registered office

7 Down Street, London, W1J 7AJ

Company number

6293763

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

The directors present their annual report together with the audited financial statements for the year ended 31 March 2013.

Results and dividends

The profit and loss account is set out on page 6.

The company made a retained profit for the year of £3,478,000 (2012 – profit of £8,644,000). No dividend is proposed for the year (2012 - £Nil) and the profit is transferred to reserves giving an accumulated surplus carried forward at 31 March 2013 of £8,963,000 (2012 – surplus £5,485,000). There were no other changes to the surplus other than profit.

Principal activity, trading review and future developments

The principal activity of the company is that of acting as an agent and selling oil on behalf of third parties and other group companies.

The directors are satisfied with the results for the year and hope to maintain and further develop the business in the coming year. The company expects to develop its principal activity of selling crude oil into future accounting periods.

Along with other companies that comprise the IGas Energy plc Group ('the Group'), the company is consolidated in the Annual Report and Accounts of IGas Energy plc (the 'Parent') for the period ended 31 March 2013.

Principal risks, uncertainties and KPIs

The main financial risks faced by the company through its normal business activities, are credit risk and liquidity risk. The management of these financial risks is performed at a group level. The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity. In addition, the company holds an interest-bearing loan receivable from an affiliate, meaning it is subject to interest rate risk.

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the period ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Charitable donations

During the year, the company made charitable contributions of £nil (2012 - £nil). There were no political contributions.

Directors

The directors of the company during the year were:

A Austin
S Bowler

Corporate governance

Star Energy Weald Basin Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors' 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 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 54 of the Company's Articles of Association as adopted on 5 October 2009. These provisions remained in force throughout the year and remain in place at the date of this report.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Stephen Bowler
Director
05 September 2013

Independent auditors' report to the shareholder of Star Energy Weald Basin Limited

We have audited the financial statements of Star Energy Weald Basin Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
05 September 2013

Star Energy Weald Basin Limited

Profit and loss account
for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
Turnover	2	26,336	30,226
Depletion		(16)	(3,456)
Operating costs		(24,471)	(17,386)
Total cost of sales		(24,487)	(20,842)
Gross profit		1,849	9,384
Administration costs		(17)	(1,442)
Exploration cost write off		-	(14,655)
Gain on sale of assets	5	-	611
Other operating income		31	842
Operating profit/(loss)	6	1,863	(5,260)
Interest receivable and similar income	7	1,577	480
Interest payable and similar charges	8	-	(1,209)
Profit/(loss) on ordinary activities before taxation		3,440	(5,989)
Taxation credit on profit/(loss) on ordinary activities	9	38	14,633
Retained profit for the financial year		3,478	8,644

The results reflected above derive from continuing operations.

Star Energy Weald Basin Limited

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

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Profit for the financial year	3,478	8,644
Total recognised gains and (losses) related to the year	**3,478**	**8,644**
Prior year adjustment (note 20)	(1,527)	
Total gains and (losses) recognised since the last annual report	**1,951**	

The notes on pages 9 to 21 form part of these financial statements.

Star Energy Weald Basin Limited

Balance sheet
at 31 March 2013

	Note		31 March 2013	31 March 2012 Restated	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	10	-		-	
Tangible assets	11	105		121	
			105		121
Current assets					
Stocks	12	788		915	
Debtors - due within 1 year	13	46,548		3,974	
- due after 1 year	13	20,861		19,284	
Cash at bank and in hand		30		61	
			68,332		24,355
Creditors: amounts falling due within one year	14	(44,122)		(3,585)	
Net current assets			24,210		20,770
Total assets less current liabilities					20,770
Liabilities falling due after more than 1 year					
Deferred tax liabilities	9		(24)		(62)
Creditors: amounts falling due after one year			-		-
Provisions for liabilities and charges	15		-		-
Net assets			24,186		20,708
Capital and reserves					
Called up share capital	16	15,223		15,223	
Profit and loss account	17	8,963		5,485	
Shareholder's funds	18		24,186		20,708

The financial statements were approved by the Board of Directors and authorised for issue on 05 September 2013.

Stephen Bowler
Director

The notes on pages 9 to 21 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The following principal accounting policies have been applied:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, and in accordance with Statement of Recommended Practice ("SORP"): Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities.

Under *Financial Reporting Standard (FRS) 1: Cash flow statements*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its immediate parent undertaking includes the company in its own published consolidated financial statements.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated group financial statements. These financial statements therefore present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of IGas Energy plc, which is incorporated in the United Kingdom, the company has taken advantage of the exemption contained in *FRS 8: Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGas Energy plc and Star Energy Weald Basin Limited belong to. The consolidated financial statements of IGas Energy plc, within which this company is included, can be obtained from IGas Energy plc's registered office.

The company has restated the fair value of consideration for the disposed assets and liabilities in the prior year which was received by way of an intercompany loan receivable (see note 20).

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the interim financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Turnover

Turnover is derived from sales of oil to third party customers. All turnover is derived from UK based operations.

Revenue is recognised when the 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.

Where oil produced by third parties is processed and delivered to a refinery by the Company, the measurement of the revenue depends upon whether physical title to the oil passes to the Company or whether the Company simply acts as an agent for the producer. If the Company acts as an agent then only a handling fee is recognised.

1 Accounting policies *(Continued)*

Intangible fixed assets

Exploration expenditure which is general in nature is charged directly to the profit and loss account and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off. Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised to be depreciated over the lives of these reserves.

Once capitalised, exploration and evaluation expenditure is reviewed for impairment at each balance sheet date. Any impairment is charged through the profit and loss account.

The success or failure of each exploration effort is judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested. If it is decided to develop the area to which the intangible fixed asset expenditure relates, the expenditure will be transferred to tangible fixed assets as oil and gas properties.

Tangible fixed assets – oil and gas properties

Any impairment in the value of an asset is charged through the profit and loss account as additional depletion where it is considered that an impairment of the asset value has occurred.

Proceeds from the full or partial disposal of a property where commercial reserves have not been established are credited to the relevant cost centre. Only if there is a surplus in the cost centre are any of the proceeds credited to income.

A gain or loss on disposal of an interest in a field where commercial reserves have been established is recognised to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the field or property.

Depletion and depreciation – oil and gas properties

Capitalised expenditure within each separate field is depleted on a unit of production basis. The depletion charge is based on estimates of proven reserves. The costs of undeveloped acreage and exploration assets are excluded from the capitalised field to be depleted, pending determination of the recoverable reserves attributable to such assets.

Other tangible fixed assets

Other tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment. Depreciation is calculated on all other tangible fixed assets, other than freehold land, on a straight-line basis at rates calculated to write off the cost or valuation of those assets, less estimated residual value, over its expected useful life of between 3 and 30 years.

Stocks

Stocks are stated at the lower of cost and net realisable value. The weighted average cost method is used to determine the cost of the ordinarily inter-changeable items.

1 Accounting policies *(Continued)*

Taxation

UK current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. No charge or credit is given for group relief.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are

differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the weighted average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases

Operating leases and the corresponding rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

Foreign currencies

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

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

Jointly controlled assets

In the prior year, the company held an interest in a joint agreement that is not an entity. As a result, it accounts for its proportionate share of the costs, revenues, assets and liabilities.

Impairments

Where there is an indication that the value of an oil and gas field may be impaired, the net amount at which the field is recorded is assessed for recoverability against the discounted future estimated net cash flows expected to be generated from the estimated remaining commercial reserves. This assessment is made on the basis of future oil and gas prices, exchange rates and cost levels as forecast at the balance sheet date. A provision is made, by way of an additional depreciation charge, where the carrying value of the field exceeds the discounted future net cash flows to be derived from its estimated remaining commercial reserves.

1 Accounting policies *(Continued)*

Decommissioning provision and asset

Licensees have an obligation to restore producing fields to a condition acceptable to the relevant authorities at the end of their commercial lives. Under *FRS 12: Provisions, Contingent Liabilities and Contingent Assets*, the discounted present value of this future cost has been provided for and capitalised within the capitalised costs for the respective field. The capitalised cost is amortised on a unit of production basis and the increase in the net present value of the future cost (the unwinding of the discount) is included within interest payable and other similar charges.

Investments

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less provision for any impairment.

Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2 Turnover

All turnover is derived from UK based operations.

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
Oil sales	25,739	28,618
Agency revenues	597	1,608
	26,336	30,226

3 Employees

All personnel are employed by Star Energy Limited. The staff costs relating to these employees are then charged to Star Energy Weald Basin as part of a management charge. For the year the management charge relating to personnel costs was £80,000 (2012: £1,714,000).

4 Remuneration of directors

No directors serving at the balance sheet date or during the year ended 31 March 2013 were paid any emoluments directly by the company (2012: £nil) for services to the company.

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

The total remuneration paid to current group directors is disclosed in the IGas Energy Plc. financial statements.

5 Gain on sale of fixed assets

On 8 December 2011, the company disposed of assets relating to licence PL116 resulting in a profit of £1,507,000. On 19 December 2011 the company disposed of all oil and gas producing assets resulting in a loss of £896,000 (restated) (see note 20 for further details).

6 Operating profit

		Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
Operating profit is stated after charging/(crediting):			
Auditors' remuneration		16	43
Depletion, depreciation and other amounts written off tangible fixed assets:			
Oil and gas assets		16	3,456
Operating lease costs	- land and buildings	431	449
	- other	-	56
Foreign exchange differences		(2,039)	(135)
Profit on disposal of assets		-	611
Impairment charge		-	(14,655)

7 Interest receivable and similar income

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
Bank interest	-	3
Amounts due from affiliates	1,577	477
	1,577	480

8 Interest payable and similar charges

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
Unwinding of discount on decommissioning provision	-	(199)
Amounts due to affiliates	-	(1,010)
	-	(1,209)

No interest was capitalised during the year (2012: nil).

9 Taxation

Analysis of tax credit in year

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
UK corporation tax		
Current year charge	-	-
Adjustment in respect of previous year	-	(37)
	-	(37)
Deferred tax		
Origination/reversal of timing differences	154	(12,584)
Adjustments in respect of previous periods	(192)	(2,012)
	(38)	(14,596)
Tax credit on profit/(loss) on ordinary activities	(38)	(14,633)

9 Taxation *(Continued)*

Factors affecting the current tax credit for the current year

The tax assessed for the year is lower than the weighted average rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
Profit/(loss)on ordinary activities before tax	3,440	(5,989)
Profit/(loss) on ordinary activities at the weighted average rate of corporation tax in the UK of 24% (2012 – 62%)	(826)	3,713
Effects of:		
Expenses not deductible for tax purposes	-	(12)
Losses utilised	159	5,028
Rate difference on non ring-fence trade	-	216
Interest not allowed for supplementary charge purposes	-	(274)
Timing differences	(4)	(9,803)
Group relief claimed for no consideration	671	271
Adjustments in respect of previous years	-	(37)
Non chargeable gain	-	935
Total current tax credit (see above)	-	(37)

Factors that may affect future tax charges

The future tax charge is likely to be dependent on the generation of profits from selling oil on behalf of group companies and third parties.

9 Taxation *(Continued)*

Deferred tax liability

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
At beginning of the year	(62)	(14,658)
Profit and loss charge for the year	(154)	12,584
Adjustments in respect of previous periods	192	2,012
Deferred tax liability at end of the year	(24)	(62)

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
The deferred tax asset/(liability) is comprised of:		
Accelerated capital allowances	(24)	(66)
Rate difference on ring fence activities	-	4
	(24)	(62)

10 Subsidiary undertaking

Star Energy Weald Basin Limited holds 100% of the £1 ordinary shares of Star Energy Oil UK Limited, which is incorporated in Scotland, which is dormant.

11 Tangible fixed assets

	Oil and gas properties £'000
Cost	
At 1 April 2012	132
At 31 March 2013	132
Depreciation	
At 1 April 2012	11
Charge for the year	16
At 31 March 2013	27
Net book value	
At 31 March 2013	105
At 31 March 2012	121

As a result of a Group fair value exercise, the remaining assets were fair valued at £1,617,000 (2012: £2,177,000 restated) compared to the book value of £105,000 (2012: £121,000).

12 Stock

	2013 £'000	2012 £'000
Oil stock	788	915

There is no material difference between the replacement costs of stocks and the amounts stated above.

13 Debtors

	2013 £'000	2012 £'000
Trade debtors	3,228	3,973
Amounts owed by affiliates	64,160	19,284
Other debtors	21	-
Prepayments and accrued income	-	1
	67,409	23,258

Amounts falling due after more than 1 year included above are:

	2013 £'000	2012 £'000
Amounts owed by affiliates	20,861	19,284

14 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	(528)	(104)
Amounts owed to affiliates	(43,458)	(1,946)
Amounts due to JV partners	-	(1,518)
Other Creditors	(111)	-
Accruals and deferred income	(25)	(17)
	(44,122)	(3,585)

15 Provisions for liabilities and charges

	2013			2012		
	Decommissioning	Other	Total	Decommissioning	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At the beginning of the year	-	-	-	(4,518)	(130)	(4,648)
New provisions	-	-	-	-	-	-
Reassessment	-	-	-	-	-	-
Unwinding of discount	-	-	-	(199)	-	(199)
Effect of change in timing	-	-	-	-	-	-
Utilisation/write back of provision	-	-	-	384	41	425
Disposal (Note 20)	-	-	-	4,333	89	4,422
At the end of the year	-	-	-	-	-	-

Provision was made for the discounted future cost of restoring producing fields to a condition acceptable to the relevant authorities. The decommissioning of the fields was expected to happen within 1 to 38 years.

16 Called up share capital

	2013	2012	2013	2012
	Number	Number	£	£
Authorised				
Ordinary shares of 10p each	152,232,050	152,232,050	15,223,205	15,223,205
Allotted, called up and fully paid				
Ordinary shares of 10p each	152,232,050	152,232,050	15,223,205	15,223,205

17 Capital and Reserves

	Share capital	Profit and loss account	Total
	£'000	£'000	£'000
At beginning of year	15,223	7,012	22,235
Prior year adjustments (note 20)	-	(1,527)	(1,527)
At beginning of the year (restated)	15,223	5,485	20,708
Retained profit for the year	-	3,478	3,478
At end of the year	15,223	8,963	24,186

18 Reconciliation of movements in shareholder's funds

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
Retained profit for the financial year	3,478	8,644
Issue of new share capital	-	-
Net increase to shareholder's funds	3,478	8,644
Opening shareholder's funds (originally £22,235,000 before deducting prior year adjustment of £1,527,000, note 24)	20,708	12,064
Closing shareholder's funds	24,186	20,708

19 Capital commitments

The company had entered into capital commitments amounting to £nil (2012 - £nil) for which no provision has been made for the year ended 31 March 2013.

20 Intra-group disposals

As part of a group restructuring, and prior to the sale of Star Energy Group Limited and its subsidiary undertakings on 14 December 2011, assets and liabilities relating to licence PL116 were transferred to Star Energy HG Gas Storage Limited. The consideration was £10,306,000 with a profit of £1,507,000 (note 5).

Following the acquisition of Star Energy Group Limited and its subsidiary undertakings by IGas Energy plc, all oil and gas producing assets, liabilities and their related trade were transferred from Star Energy Weald Basin to Island Gas Limited. The consideration, £18,808,000, was settled by way of a loan facility agreement. A loss was recognised of £896,000 (note 5).

The above consideration has been restated due to an overstatement of £1,489,000 in the fair value of the property, plant and equipment transferred. A corresponding adjustment of £1,489,000 was recognised in the prior year profit and loss, resulting in a loss on disposal of £896,000.

21 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year ended 31 March 2013 represents contributions payable by the company to the fund and amounted to £4,000 (2012 - £109,000).

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

22 Ultimate parent company and controlling party

The immediate parent company is Star Energy Group Limited, which is incorporated in England and Wales, and the ultimate controlling party is IGas Energy plc.

The consolidated financial statements of IGas Energy plc are publicly available from the registered office 7 Down Street, London, W1J 7AJ.

23 Post balance sheet events

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

24 Prior year adjustment

As described in note 17, the Company disposed of all assets, liabilities and trade to another subsidiary within the Group on 19 December 2011. The disposal was at fair value and consideration was given in the form of an interest bearing loan. Subsequently, it has been determined that that PPE was overstated by £1.5m, which has been treated as a prior year error and therefore corrected as a prior year adjustment. As the amount of the consideration was defined as the fair value of the net assets disposed the intercompany debtor has also been reduced by £1.5m at the disposal date.

The restatement had the following effect on the Company financial statements as at 31 March 2012 and for the year then ended.

	As originally reported £'000	Adjustment £'000	As Restated £'000
Profit and loss account for the year ended 31 March 2012			
Profit/(loss) on sale of assets	2,100	(1,489)	(611)
Interest receivable and similar income	518	(38)	480
Balance sheet as at 31 March 2012			
Debtors – due after 1 year	20,811	(1,527)	19,284

Star Energy Weald Basin Limited’s Annual Returns 2012

Star Energy Weald Basin Limited

Annual report and Fınancıal Statements

Year Ended

31 March 2012

Star Energy Weald Basin Limited

Annual report and financial statements
for the year ended 31 March 2012

Contents

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Directors

A Austin
S Bowler

Secretary

MoFo Secretaries Limited

Registered office

7 Down Street, London, W1J 7AJ

Company number

6293763

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Star Energy Weald Basin Limited

Annual report of the directors
for the year ended 31 March 2012

The directors present their annual report together with the audited financial statements for the year ended 31 March 2012

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year

The company made a retained profit for the year of £10,171,000 (2011 – profit of £5,051,000) No dividend is proposed for the year (2011 - £Nil) and the profit is transferred to reserves giving an accumulated surplus carried forward at 31 March 2012 of £7,012,000 (2011 – deficit £3,159,000

Principal activity, trading review and future developments

On 14 December 2011, the company's parent company, Star Energy Group Limited, was acquired by IGas Energy plc On 19 December 2011, all oil and gas producing assets, liabilities and their related trade were transferred to Island Gas Limited leaving only the rail terminal in the company

The principal activity of the company until the above acquisition was that of crude oil exploration, development and production For the remainder of the year to 31 March 2012 the principal activity of the company is that of acting as an agent and selling oil on behalf of third parties and other group companies

The directors are satisfied with the results for the year and hope to maintain and further develop the business in the coming year The company expects to develop its principal activity of selling crude oil into future accounting periods

Along with other companies that comprise the IGas Energy plc Group ('the Group'), the company is consolidated in the Annual Report and Accounts of IGas Energy plc (the 'Parent') for the period ended 31 March 2012 from the date on which the company was acquired

The company's principal risks, uncertainties and key performance indicators are only reported and managed at the IGas Energy Group level To gain a further understanding of this business further details are disclosed in the Annual Report and Accounts of IGas Energy plc

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis Their enquiries included consideration of the financial statements of IGas for the 6 months ended 30 September 2012, approved on 19 December 2012, which were prepared on a going concern basis

Charitable donations

During the year, the company made charitable contributions of £nil (2011 - £67,510) There were no political contributions

Star Energy Weald Basin Limited

Annual report of the directors
for the year ended 31 March 2012 *(Continued)*

Directors

The directors of the company during the year were

R Wessel (resigned 21 November 2011)
C Judd (resigned 21 November 2011)
M J Horgan (resigned 14 October 2011)
R G Pearson (resigned 14 December 2011)
K Reinisch (appointed 19 September 2011 and resigned 14 December 2011)
M Jusoh (appointed 18 October 2011 and resigned 14 December 2011)
E Othman (appointed 18 October 2011 and resigned 14 December 2011)
P Karunakaran (appointed 18 October 2011 and resigned 14 December 2011)
T Aziz (appointed 18 October 2011 and resigned 14 December 2011)
S Yap (appointed 18 October 2011 and resigned 14 December 2011)
A Austin (appointed 14 December 2011)
S Bowler (appointed 14 December 2011)

Corporate governance

Star Energy Weald Basin Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,

- make judgements and estimates that are reasonable and prudent,

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

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

Directors' 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 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 54 of the Company's Articles of Association as adopted on 5 October 2009 These provisions remained in force throughout the year and remain in place at the date of this report

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

Stephen Bowler
Director
12 February 2013

Star Energy Weald Basin Limited

Independent auditors' report to the shareholder of Star Energy Weald Basin Limited

We have audited the financial statements of Star Energy Weald Basin Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 27 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
12 February 2013

Star Energy Weald Basin Limited

Profit and loss account
for the year ended 31 March 2012

	Note	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Turnover	2	30,226	14,121
Depletion		(3,456)	(2,862)
Operating costs		(17,386)	(7,580)
Total cost of sales		(20,842)	(10,442)
Gross profit		9,384	3,679
Administration costs		(1,442)	609
Exploration cost write off		(14,655)	(1,150)
Gain on sale of assets	5	2,100	-
Other operating income		842	1,424
Operating profit	6	(3,771)	4,562
Interest receivable and similar income	7	518	629
Interest payable and similar charges	8	(1,209)	(546)
(Loss)/profit on ordinary activities before taxation		(4,462)	4,645
Taxation credit on (loss)/profit on ordinary activities	9	14,633	406
Retained profit for the financial year		10,171	5,051

The results reflected above derive from continuing operations

Statement of total recognised gains and losses
for the year ended 31 March 2012

There are no recognised gains or losses attributable to the shareholder of the company other than the profit of £10,171,000 for the year ended 31 March 2012 (2011 – £5,051,000)

The notes on pages 8 to 24 form part of these financial statements

Star Energy Weald Basin Limited

Balance sheet
at 31 March 2012

	Note	31 March 2012		31 March 2011	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	10	-		-	
Intangible assets	11	-		13,688	
Tangible assets	12	121		64,442	
			121		78,130
Current assets					
Stocks	13	915		272	
Debtors - due within 1 year	14	3,974		4,950	
- due after 1 year	14	20,811		-	
Cash at bank and in hand		61		29	
			25,761		5,251
Creditors: amounts falling due within one year	15	(3,585)		(4,157)	
Net current assets			22,176		1,094
Total assets less current liabilities			22,297		79,224
Deferred tax liabilities	9		(62)		(14,658)
Creditors: amounts falling due after one year	16		-		(47,854)
Provisions for liabilities and charges	17		-		(4,648)
Net assets			22,235		12,064
Capital and reserves					
Called up share capital	18	15,223		15,223	
Profit and loss account	19	7,012		(3,159)	
Shareholder's surplus	19		22,235		12,064

The financial statements were approved by the Board of Directors and authorised for issue on 12 February 2013

Stephen Bowler
Director

The notes on pages 8 to 24 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice The following principal accounting policies have been applied

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, and in accordance with Statement of Recommended Practice ("SORP") Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements

The financial statements have been prepared on the going concern basis, the validity of which is dependent upon the future support of the company's parent undertaking IGas Energy plc The directors have no reason to believe that this support will not continue and have reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least one year from the date of approval of the financial statements

Under *Financial Reporting Standard (FRS) 1 Cash flow statements*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its immediate parent undertaking includes the company in its own published consolidated financial statements

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated group financial statements These financial statements therefore present information about the company as an individual undertaking and not about its group

As the company is a wholly owned subsidiary of IGas Energy plc, which is incorporated in the United Kingdom, the company has taken advantage of the exemption contained in *FRS 8 Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGas Energy plc and Star Energy Weald Basin Limited belong to The consolidated financial statements of IGas Energy plc, within which this company is included, can be obtained from IGas Energy plc's registered office

Turnover

Turnover is derived from sales of oil to third party customers All turnover is derived from UK based operations

Revenue is recognised when the 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

Where oil produced by third parties is processed and delivered to a refinery by the Company, the measurement of the revenue depends upon whether physical title to the oil passes to the Company or whether the Company simply acts as an agent for the producer If the Company acts as an agent then only a handling fee is recognised

1 Accounting policies *(Continued)*

Intangible fixed assets

Exploration expenditure which is general in nature is charged directly to the profit and loss account and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised to be depreciated over the lives of these reserves

Once capitalised, exploration and evaluation expenditure is reviewed for impairment at each balance sheet date Any impairment is charged through the profit and loss account

The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested If it is decided to develop the area to which the intangible fixed asset expenditure relates, the expenditure will be transferred to tangible fixed assets as oil and gas properties

Tangible fixed assets – oil and gas properties

Any impairment in the value of an asset is charged through the profit and loss account as additional depletion where it is considered that an impairment of the asset value has occurred

Proceeds from the full or partial disposal of a property where commercial reserves have not been established are credited to the relevant cost centre Only if there is a surplus in the cost centre are any of the proceeds credited to income

A gain or loss on disposal of an interest in a field where commercial reserves have been established is recognised to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the field or property

Depletion and depreciation – oil and gas properties

Capitalised expenditure within each separate field is depleted on a unit of production basis The depletion charge is based on estimates of proven reserves The costs of undeveloped acreage and exploration assets are excluded from the capitalised field to be depleted, pending determination of the recoverable reserves attributable to such assets

Other tangible fixed assets

Other tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment Depreciation is calculated on all other tangible fixed assets, other than freehold land, on a straight-line basis at rates calculated to write off the cost or valuation of those assets, less estimated residual value, over its expected useful life of between 3 and 30 years

Stocks

Stocks are stated at the lower of cost and net realisable value The weighted average cost method is used to determine the cost of the ordinarily inter-changeable items

Taxation

UK current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date No charge or credit is given for group relief

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are

1 Accounting policies *(Continued)*

Taxation (Continued)

differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the weighted average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Leases

Operating leases and the corresponding rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease

Foreign currencies

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

Post-retirement benefits

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year

Jointly controlled assets

The company holds an interest in a joint agreement that is not an entity As a result, it accounts for its proportionate share of the costs, revenues, assets and liabilities

Impairments

Where there is an indication that the value of an oil and gas field may be impaired, the net amount at which the field is recorded is assessed for recoverability against the discounted future estimated net cash flows expected to be generated from the estimated remaining commercial reserves This assessment is made on the basis of future oil and gas prices, exchange rates and cost levels as forecast at the balance sheet date A provision is made, by way of an additional depreciation charge, where the carrying value of the field exceeds the discounted future net cash flows to be derived from its estimated remaining commercial reserves

1 Accounting policies *(Continued)*

Decommissioning provision and asset

Licensees have an obligation to restore producing fields to a condition acceptable to the relevant authorities at the end of their commercial lives Under *FRS 12 Provisions, Contingent Liabilities and Contingent Assets*, the discounted present value of this future cost has been provided for and capitalised within the capitalised costs for the respective field The capitalised cost is amortised on a unit of production basis and the increase in the net present value of the future cost (the unwinding of the discount) is included within interest payable and other similar charges

Investments

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less provision for any impairment

Dividends

Equity dividends are recognised when they become legally payable Interim dividends are recognised when paid Final equity dividends are recognised when approved by the shareholders at an annual general meeting

2 Turnover

All turnover is derived from UK based operations

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Oil sales	28,618	12,523
Agency revenues	1,608	1,598
	30,226	14,121

3 Employees

In the prior year personnel working for Star Energy Weald Basin Limited were employed by Star Energy Oil & Gas Limited and paid by Star Energy Limited On 14 December 2011 Star Energy Group Limited and its subsidiaries was sold to IGas Energy plc All personnel were then transferred to Star Energy Limited The staff costs relating to these employees are then charged to Star Energy Weald Basin as part of a management charge For the year the management charge relating to personnel costs was £1,714,000 (2011 £1,945,000)

4 Remuneration of directors

No directors serving at the balance sheet date or during the year ended 31 March 2012 were paid any emoluments directly by the company (2011 £nil) for services to the company

With respect to the period to 14 September 2011 a management charge of £1,283,000 has been made by Star Energy Group Limited and Star Energy Limited, which includes remuneration of the former directors who resigned on this date It is not considered possible to determine the level of remuneration recharged This management charge also included termination payments made to the former group directors totalling £695,000

Subsequent to 14 December 2011, no management charge has been made by IGas Energy plc It is not considered possible to determine the level of remuneration recharged

The total remuneration paid to current group directors is disclosed in the IGas Energy Plc financial statements

5 Loss on sale of fixed assets

On 8 December 2011, the company disposed of assets relating to licence PL116 resulting in a profit of £1,507,000 On 19 December 2011 the company disposed of all oil and gas producing assets resulting in a profit of £593,000 (see note 24 for further details)

6 Operating profit

		Year ended 31 March 2012	Year ended 31 March 2011
		£'000	£'000
Operating profit is stated after charging/(crediting)			
Auditors' remuneration		43	40
Depletion, depreciation and other amounts written off tangible fixed assets			
Oil and gas assets		3,456	2,838
Operating lease costs	- land and buildings	449	356
	- other	56	58
Foreign exchange differences		(135)	(25)
Profit on disposal of assets		2,100	-
Impairment charge		(14,655)	(1,150)

7 Interest receivable and similar income

	Year ended 31 March 2012	Year ended 31 March 2011
	£'000	£'000
Bank interest	3	-
Amounts due from affiliates	515	-
Foreign exchange gain	-	629
	518	629

8 Interest payable and similar charges

	Year ended 31 March 2012	Year ended 31 March 2011
	£'000	£'000
Unwinding of discount on decommissioning provision	(199)	(219)
Amounts due to affiliates	(1,010)	(327)
	(1,209)	(546)

No interest was capitalised during the year

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

Analysis of tax charge/(credit) in year

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
UK corporation tax		
Current year charge	-	-
Adjustment in respect of previous year	(37)	-
	(37)	-
Deferred tax		
Origination/reversal of timing differences	(12,584)	1,551
Adjustments in respect of previous periods	(2,012)	(1,957)
	(14,596)	(406)
Tax (credit)/charge on profit on ordinary activities	(14,633)	(406)

9 Tax charge on (loss)/profit on ordinary activities *(Continued)*

Factors affecting the current tax charge/(credit) for the current year

The tax assessed for the year is lower than the weighted average rate of corporation tax in the UK The differences are explained below

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
(Loss)/profit on ordinary activities before tax	(4,462)	4,645
(Loss)/profit on ordinary activities at the weighted average rate of corporation tax in the UK of 62% (2011 – 50 26%)	2,766	(2,335)
Effects of		
Expenses not deductible for tax purposes	(12)	(40)
Losses utilised	5,028	1,532
Rate difference on non ring-fence trade	230	-
Interest not allowed for supplementary charge	(274)	66
Timing differences	(8,954)	760
Group relief	281	17
Adjustments in respect of previous years	(37)	-
Non chargeable gain	935	
Total current tax charge/(credit) (see above)	(37)	-

Factors that may affect future tax charges

The future tax charge is likely to be dependent on the generation of profits from oil sales

9 Tax charge on (loss)/profit on ordinary activities *(Continued)*

Deferred tax liability

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
At beginning of the year	(14,658)	(1,400)
Profit and loss charge for the year	12,584	(1,551)
Adjustments in respect of previous periods	2,012	1,957
Transfers (Note 23)	-	(13,664)
At end of the year	(62)	(14,658)

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
The deferred tax liability is comprised of		
Accelerated capital allowances	(66)	(36,110)
Trade losses – carried forward to future periods	-	18,935
Abandonment provision	-	2,517
Rate difference on ring fence activities	4	-
	(62)	(14,658)

10 Subsidiary undertaking

Star Energy Weald Basin Limited holds 100% of the £1 ordinary shares of Star Energy Oil UK Limited, which is incorporated in Scotland

11 Intangible fixed assets

	Goodwill £'000	Exploration and evaluation £'000	Total £'000
Cost			
At 1 April 2011	2,448	11,240	13,688
Additions	-	12	12
Impairment	-	(7,487)	(7,487)
Disposal (note 24)	(2,448)	(3,765)	(6,213)
At 31 March 2012	-	-	-
Amortisation			
At 1 April 2011	-	-	-
Charge for the year	124	-	124
Disposal (note 24)	(124)	-	(124)
At 31 March 2012	-	-	-
Net book value			
At 31 March 2012	-	-	-
At 31 March 2011	2,448	11,240	13,688

An impairment review was carried out for the exploration and evaluation assets held at the time of the acquisition by IGas Energy plc, as a result of this £7,487,000 was charged to the profit and loss account

12 Tangible fixed assets

	Freehold land £'000	Freehold buildings £'000	Oil and gas properties £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 April 2011	51	276	155,316	54	155,697
Additions	-	95	1,318	-	1,413
Impairment	-	-	(7,168)	-	(7,168)
Disposal (note 24)	(51)	(371)	(149,334)	(54)	(149,810)
At 31 March 2012	-	-	132	-	132
Depreciation					
At 1 April 2011	-	129	91,115	11	91,255
Charge for the year	-	18	3,310	4	3,332
Disposal (Note 24)	-	(147)	(94,414)	(15)	(94,576)
At 31 March 2012	-	-	11	-	11
Net book value					
At 31 March 2012	-	-	121	-	121
At 31 March 2011	51	147	64,201	43	64,442

An impairment review was carried out for the tangible fixed assets held at the time of the acquisition by IGas Energy plc, as a result of this £7,168,000 was charged to the profit and loss account

12 Tangible fixed assets *(continued)*

As a result of a Group fair value exercise, the remaining assets were fair valued at £2,286,000 compared to the book value of £121,000

13 Stock

	2012 £'000	2011 £'000
Oil stock	915	272

There is no material difference between the replacement costs of stocks and the amounts stated above

14 Debtors

	2012 £'000	2011 £'000
Trade debtors	3,973	4,240
Amounts owed by affiliates	22,855	-
Other debtors	-	327
Prepayments and accrued income	1	383
	26,829	4,950

Amounts falling due after more than 1 year included above are

Amounts owed by affiliates	22,855	-

15 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	(104)	(982)
Amounts owed to affiliates	(1,946)	-
Amounts due to JV partners	(1,518)	(1,091)
UK corporation tax	-	(1,667)
Accruals and deferred income	(17)	(417)
	(3,585)	(4,157)

16 Creditors: amounts falling due after one year

	2012 £'000	2011 £'000
Amounts owed to affiliates	-	(47,854)
	-	(47,854)

17 Provisions for liabilities and charges

	2012			2011		
	Decommissioning £'000	Other £'000	Total £'000	Decommissioning £'000	Other £'000	Total £'000
At the beginning of the year	(4,518)	(130)	(4,648)	(1,462)	(2,222)	(3,684)
New provisions	-	-	-	-	-	-
Reassessment	-	-	-	(2,240)	-	(2,240)
Unwinding of discount	(199)	-	(199)	(219)	-	(219)
Effect of change in timing	-	-	-	48	-	48
Utilisation/write back of provision	384	41	425	163	2,092	2,255
Acquisition(note 23)	-	-	-	(808)	-	(808)
Disposal (Note 24)	4,333	89	4,422	-	-	-
At the end of the year	-	-	-	(4,518)	(130)	(4,648)

Provision was made for the discounted future cost of restoring producing fields to a condition acceptable to the relevant authorities The decommissioning of the fields was expected to happen within 1 to 38 years

Movement in other provisions in the prior year mainly relates to the settlement of litigation in connection with a claim by a landowner relating to drilling rights under its land for the extraction of petroleum or gas pursuant the Group's petroleum licence PL182

18 Called up share capital

	2012 Number	2011 Number	2012 £	2011 £
Authorised				
Ordinary shares of 10p each	152,232,050	152,232,050	15,223,205	15,223,205
Allotted, called up and fully paid				
Ordinary shares of 10p each	152,232,050	152,232,050	15,223,205	15,223,205

19 Capital and Reserves

	Share capital £'000	Profit and loss account £'000	Total £'000
At beginning of the year	15,223	(3,159)	12,064
Retained profit for the year	-	10,171	10,171
At end of the year	15,223	7,012	22,235

20 Reconciliation of movements in shareholder's funds

	Year ended 31 March 2012 £'000	Year ended 31 March 2012 £'000
Retained profit for the financial year	10,171	5,051
Issue of new share capital	-	15,222
Net increase to shareholder's funds	10,171	20,273
Opening shareholder's funds / (deficit)	12,064	(8,209)
Closing shareholder's funds	22,235	12,064

21 Commitments under operatıng leases

As at 31 March, the company had annual commıtments under non-cancellable operatıng leases as set out below

	2012 Land and buıldıngs	2012 Other	2011 Land and buildıngs	2011 Other
	£'000	£'000	£'000	£'000
Operatıng leases whıch expıre				
Wıthın one year	-	-	292	26
In two to five years	-	-	132	12
	-	-	424	38

22 Capital commitments

The company had entered ınto capıtal commıtments amountıng to £nıl (2011 - £120,075) for whıch no provısıon has been made for the year ended 31 March 2012

23 Acquisition

As part of a Group wide restructuring, the company acquired 100% of the issued share capital of Star Energy Oil UK Limited from its parent, Star Energy Group Limited, on 31 March 2011 by issuing 150,222,205 10p shares in consideration The combination of the two companies has been accounted for using merger accounting

Immediately following this, certain assets, liabilities and the related trade of Star Energy Oil UK Limited were transferred to the company The consideration was settled via the inter-company account

The following table sets out the book value of assets and liabilities on acquisition

	Book value £'000
Fixed assets	
Tangible	23,645
Current assets	
Debtors	8,864
Total assets	32,509
Creditors	
Due within 1 year	(1,963)
Due over 1 year	(3,300)
Deferred tax liabilities	(13,664)
Provisions for liabilities and charges	(808)
Net assets	12,774

The difference between the book value of the assets and liabilities acquired from Star Energy Oil UK Limited and the company's investment in Star Energy Group Limited was recognised as goodwill

24 Intra-group disposals

As part of a group restructuring, and prior to the sale of Star Energy Group Limited and it subsidiary undertakings on 14 December 2011, assets and liabilities relating to licence PL116 were transferred to Star Energy HG Gas Storage Limited The consideration was £10,306,000 with a profit of £1,507,000 (note 5)

Following the acquisition of Star Energy Group Limited and its subsidiary undertakings by IGas Energy plc, all oil and gas producing assets, liabilities and their related trade were transferred from Star Energy Weald Basin to Island Gas Limited The consideration, £20,297,000, was settled by way of a loan facility agreement A profit was recognised of £593,000 (note 5)

25 Pension scheme

The company operates a defined contribution pension scheme The pension cost charge for the year ended 31 March 2012 represents contributions payable by the company to the fund and amounted to £109,000 (2011 - £108,000)

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year

26 Ultimate parent company and controlling party

The immediate parent company is Star Energy Group Limited, which is incorporated in England and Wales, and the ultimate controlling party is IGas Energy plc

The consolidated financial statements of IGas Energy plc are publicly available from the registered office 7 Down Street, London, W1J 7AJ

27 Post balance sheet events

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

Star Energy Oil & Gas Limited's Annual Returns 2013

Star Energy Oil & Gas Limited

Annual report and Financial Statements

Year Ended

31 March 2013

Star Energy Oil & Gas Limited

Annual report and financial statements
for the year ended 31 March 2013

Contents

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Directors

A Austin
S Bowler

Secretary

MoFo Secretaries Limited

Registered office

7 Down Street, London, W1J 7AT.

Company number

2275006

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

Star Energy Oil & Gas Limited

Annual report of the directors for the year ended 31 March 2013

The directors present their annual report together with the audited financial statements for the year ended 31 March 2013.

Results and dividends

The profit and loss account is set out on page 6.

The company made a profit for the year of £4,421,000 (2012 – £49,063,000). No dividend was paid or proposed for the year (2012 - £Nil). The retained profit is transferred to reserves giving an accumulated surplus carried forward at 31 March 2013 of £52,399,000 (2012 – £47,978,000).

Principal activity, trading review and future developments

The principal activity of the company since all of its operational activities were transferred to another group company on 19 December 2011 is to hold a loan to an affiliate.

The directors are satisfied with the results for the year.

Along with other companies that comprise the IGas Energy Group ('the Group'), the company is consolidated in the Annual Report and Accounts of IGas Energy plc ('the Parent') for the year ended 31 March 2013.

Principal risks, uncertainties and KPIs

The company's principal risks, uncertainties and key performance indicators are managed at the IGas Energy Group level. Due to the fact that the Company's principal activity is to hold an interest-bearing loan receivable from an affiliate, the risks and uncertainties which pertain to the Company include credit risk related to that affiliate and interest rate risk.

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Charitable donations

The company made charitable contributions during the year of £nil (2012 - £nil).

Directors

The directors of the company during the year were:

S Bowler
A Austin

Corporate governance
Star Energy Oil & Gas Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors' 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 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 54 of the Company's Articles of Association as adopted on 5 October 2009. These provisions remained in force throughout the year and remain in place at the date of this report.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Stephen Bowler
Director
05 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR ENERGY OIL AND GAS LIMITED

We have audited the financial statements of Star Energy Oil and Gas Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst + Young LLP

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
05 September 2013

Star Energy Oil & Gas Limited

Profit and loss account
for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
Turnover	2	-	26,507
Operating costs		-	(6,644)
Depletion		-	(2,212)
Total cost of sales		-	(8,856)
Gross profit		-	17,651
Other administration costs		-	(2,042)
Total administration costs		-	(2,042)
Other income		-	68
Profit on sale of assets	17	-	30,540
Operating profit	5	-	46,217
Interest receivable and similar income	6	4,260	1,298
Interest payable and similar charges	7	-	(524)
Profit on ordinary activities before taxation		4,260	46,991
Taxation on profit on ordinary activities	8	161	2,072
Profit for the financial year	15	4,421	49,063

Star Energy Oil & Gas Limited

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

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
Profit for the financial year	4,421	49,063
Total recognised gains and (losses) related to the year	4,421	49,063
Prior year adjustment (note 20)	(2,912)	
Total gains and losses recognised since the last annual report	1,509	

Star Energy Oil & Gas Limited

Balance sheet
at 31 March 2013

	Note	31 March 2013		31 March 2012 Restated	
		£'000	£'000	£'000	£'000
Current assets					
Stocks		-		-	
Debtors - due within 1 year	10	3,167		3,204	
- due after 1 year	10	56,416		52,155	
Cash at bank and in hand		-		-	
			59,583		55,359
Creditors: amounts falling due within one year	11	(3,007)			(3,204)
Net current assets/(liabilities)			56,576		(52,155)
Total assets less current liabilities		56,576			52,155
Provisions for liabilities and charges	12	-		-	
Net assets		56,576			52,155
Capital and reserves					
Called up share capital	13	4,177		4,177	
Profit and loss account	14	52,399		47,978	
Shareholder's funds	15		56,576		52,155

The financial statements were approved by the Board of Directors and authorised for issue on 05 September 2013.

Stephen Bowler
Director

The notes on pages 9 to 20 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The following principal accounting policies have been applied:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, and in accordance with Statement of Recommended Practice ("SORP"): Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities. The company has adopted the successful efforts method of accounting for oil and gas operations.

Under *Financial Reporting Standard (FRS)1: Cash flow statements*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated group financial statements. These financial statements therefore present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the United Kingdom, the company has taken advantage of the exemption contained in *FRS 8: Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGas Energy plc and Star Energy Oil & Gas Limited belong. The consolidated financial statements of IGas Energy plc, within which this company is included, can be obtained from IGas Energy plc's registered office.

The company has restated the fair value of consideration for the disposed assets and liabilities in the prior year which was received by way of an intercompany loan receivable (see note 20).

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the interim financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Turnover

All turnover is derived from UK based operations. Turnover is derived from sales of oil to third party customers. Electricity and gas turnover is recognised on a monthly basis calculated from meter readings.

Revenue is recognised when the 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.

1 Accounting policies *(Continued)*

Intangible fixed assets

Exploration expenditure which is general in nature is charged directly to the profit and loss account and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off. Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised to be depreciated over the lives of these reserves.

Once capitalised, exploration and evaluation expenditure is reviewed for impairment at each balance sheet date. Any impairment is charged through the profit and loss account.

Intangible fixed assets (Continued)

The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested. If it is decided to develop the area to which the intangible fixed asset expenditure relates, the expenditure will be transferred to tangible fixed assets as oil and gas properties.

Tangible fixed assets – oil and gas properties

Any impairment in the value of an asset is charged through the profit and loss account as additional depletion where it is considered that an impairment of the asset value has occurred.

Proceeds from the full or partial disposal of a property where commercial reserves have not been established are credited to the relevant cost centre. Only if there is a surplus in the cost centre are any of the proceeds credited to income. A gain or loss on disposal of an interest in a field where commercial reserves have been established is recognised to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalized costs of the field or property.

Depletion and depreciation – oil and gas properties

Capitalised expenditure within each separate field is depleted on a unit of production basis. The depletion charge is based on estimates of proven developed reserves. The costs of undeveloped acreage and exploration assets are excluded from the capitalised field to be depleted, pending determination of the recoverable reserves attributable to such assets.

Other tangible fixed assets

Other tangible fixed assets are stated at historical cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated on all other tangible fixed assets, other than freehold land, on a straight-line basis at rates calculated to write off the cost or valuation of those assets, less estimated residual value, over its expected useful life of between 3 and 20 years.

Stocks

Stocks are stated at the lower of cost and net realisable value. The weighted average cost method is used to determine the cost of ordinarily inter-changeable items.

Taxation

UK current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. No charge or credit is given for group relief.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences

1 Accounting policies *(Continued)*

Taxation (Continued)

between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the weighted average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases

Operating leases and the corresponding rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

Assets under finance leases are included under tangible fixed assets at their capital value and depreciated over their useful lives. Lease payments consist of capital and finance charge elements, and the finance charge element is charged to the profit and loss account.

Foreign currencies

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

Impairments

Where there is an indication that the value of an oil and gas field may be impaired, the net amount at which the field is recorded is assessed for recoverability against the discounted future estimated net cash flows expected to be generated from the estimated remaining commercial reserve. This assessment is made on the basis of future oil and gas prices, exchange rates and cost levels as forecast at the balance sheet date. A provision is made, by way of an additional depreciation charge, where the carrying value of the field exceeds the discounted future net cash flows to be derived from its estimated remaining commercial reserves.

Decommissioning provision and asset

Licensees have an obligation to restore producing fields to a condition acceptable to the relevant authorities at the end of their commercial lives. Under *FRS 12: Provisions, Contingent Liabilities and Contingent Assets*, the discounted present value of this future cost has been provided for and capitalised within the respective field. The capitalised cost is amortised through the field on a unit of production basis and the increase in the net present value of the future cost (the unwinding of the discount) is included within interest payable and other similar charges.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the financial year.

1 Accounting policies *(Continued)*

Investments

Fixed asset investments in subsidiaries and unlisted investments are included in the financial statements at cost less provision for impairment.

Dividends

Dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2 Turnover

All turnover is derived from UK based operations.

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Oil sales	-	26,088
Electricity sales	-	417
Gas sales	-	2
	-	26,507

3 Employees

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Staff costs (including directors) consist of:		
Wages and salaries	-	2,014
Social security costs	-	249
Other pension costs	-	153
	-	2,416

The average number of employees, including directors, during the year was:

	Number	Number
Administrative	-	6
Technical – Other	-	71
	-	77

3 Employees (continued)

Following the sale of Star Energy Group Limited in December 2011 to IGas Energy plc, all employment contracts were transferred to Star Energy Limited. Star Energy Oil & Gas Limited operations were also transferred to another subsidiary undertaking the sale of the company and staff costs relating to these operations are charged to the relevant subsidiary as part of a management charge.

4 Remuneration of directors

No directors serving at the balance sheet date or during the year ended 31 March 2013 were paid any emoluments for services to the company (2012: £nil) for services to the company.

The total remuneration paid to current group directors is disclosed in the IGas Energy Plc. financial statements.

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

5 Operating profit

		Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
Operating profit is stated after charging:			
Auditors' remuneration		-	44
Depletion, depreciation and other amounts written off tangible fixed assets:			
Oil and gas assets	- owned	-	2,212
Operating lease costs	- land and buildings	-	456
	- other	-	89
Foreign exchange movements		-	(185)
Profit on disposal of assets		-	30,540

The audit fees for the Company for the current year of £2,000 were paid by IGas Energy Plc.

6 Interest receivable and similar income

	Year ended 31 March 2013	Year ended 31 March 2012 Restated
	£'000	£'000
Bank interest receivable	-	10
Interest received from group undertakings	4,260	1,288
	4,260	1,298

7 Interest payable and similar charges

	Year ended 31 March 2013	Year ended 31 March 2012
	£'000	£'000
Amount owing to group undertakings	-	(206)
Finance charges payable in respect of finance leases and hire purchase contracts	-	(6)
Unwinding of discount on decommissioning provision	-	(312)
	-	(524)

No interest was capitalised during the year (2012 - £Nil).

8 Taxation on profit from ordinary activities

Analysis of tax charge in year

	Year ended 31 March 2013	Year ended 31 March 2012
	£'000	£'000
UK corporation tax		
Current charge at tax rate of 24% (2012 – 62%)	-	(9,987)
Adjustment in respect of prior years	161	(39)
	161	(10,026)
Deferred tax		
Origination of timing differences	-	11,946
Adjustment in respect of prior years	-	152
	-	12,098
Tax credit on profit on ordinary activities	161	2,072

Factors affecting the current tax charge for the current year

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

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 Restated £'000
Profit on ordinary activities before tax	4,260	46,991
Profit on ordinary activities at the weighted average rate of corporation tax in the UK of 24% (2012 – 62%)	(1,022)	(29,134)
Effects of:		
Expenses not deductible for tax purposes	-	3
Temporary Differences	-	(448)
Interest not deductible for supplementary charge	-	6
Rate difference on non ring-fence trade	-	609
Losses utilised	-	115
Non chargeable gain	-	18,932
Group relief use/(surrender)	1,022	(70)
Adjustments in respect of previous year	161	(39)
Total current tax credit/(charge)	161	(10,026)

Factors that may affect future tax charges

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

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

Deferred tax liability

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
At beginning of the year	-	(12,098)
Adjustment in respect of prior year	-	152
Profit and loss credit for the year	-	11,946
At end of the year	-	-

9 Subsidiary undertaking

Star Energy Oil & Gas Limited holds 100% of the £1 ordinary shares of Star Energy (East Midlands) Limited which is incorporated in the United Kingdom.

10 Debtors – due within 1 year

	2013 £'000	2012 Restated £'000
Amounts owed by affiliates	59,583	55,359
	59,583	55,359

Amounts falling due after more than 1 year included above are:

Amounts owed by affiliates	56,416	52,155

11 Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Taxation	(3,007)	(3,204)
	(3,007)	(3,204)

12 Provisions for liabilities

	2013			2012		
	Decommissioning	Other	Total	Decommissioning	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At the beginning of the year	-	-	-	7,274	82	7,356
Unwinding of the discount	-	-	-	312	-	312
Utilisation of provision	-	-	-	8	(10)	(2)
Disposal (Note 17)	-	-	-	(7,594)	(72)	(7,666)
At the end of the year	-	-	-	-	-	-

Provision has been made for the discounted future cost of restoring producing fields to a condition acceptable to the relevant authorities. The decommissioning of the fields is expected to happen within 1 to 42 years.

13 Called up share capital

	2013 Number	2012 Number	2013 £	2012 £
Authorised				
Ordinary shares of £1 each	4,176,708	4,176,708	4,176,708	4,176708
Allotted, called up and fully paid				
Ordinary shares of £1 each	4,176,708	4,176,708	4,176,708	4,176,708

14 Capital and Reserves

	Share capital	Profit and loss	Total
	£'000	£'000	£'000
At beginning of the year	4,177	50,890	55,067
Prior year adjustment	-	(2,192)	2,192
At beginning of the year (restated)	4,177	47,978	52,155
Retained profit for the year	-	4,421	4,421
At the end of the year	4,177	52,399	56,576

15 Reconciliation of movements in shareholders' funds

	Year ended 31 March 2013	Year ended 31 March 2012 Restated
	£'000	£'000
Issued share capital	-	-
Debt converted to equity	-	-
Profit for the financial year	4,421	49,063
Net increase to shareholder's funds	4,421	49,063
Opening shareholder's funds (originally £55,064,000 before deducting prior year adjustment of £2,912,000, note 20)	52,155	3,092
Closing shareholder's funds	56,576	52,155

16 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year ended 31 March 2013 represents contributions payable by the company to the fund and amounted to £Nil (2012 - £153,000).

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year (2012 - £Nil).

17 Disposal of Assets

On 19 December 2011, all assets and liabilities along with the related trade of Star Energy Oil and Gas Limited were sold to Island Gas Limited for consideration of £49,508,000. The company made a profit of £30,540,000 upon disposal and the consideration was settled by way of a loan facility agreement.

18 Commitments under operating leases

As at 31 March 2013, the company had annual commitments under non-cancellable operating leases as set out below:

	2013 Land and Buildings £'000	2013 Other £'000	2012 Restated Land and Buildings £'000	2012 Restated Other £'000
Operating leases which expire:				
Within one year	-	12	-	-
In two to five years	-	4	-	-
	-	16	-	-

19 Capital commitments

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

20 Restatement

As described in note 17, the Company disposed of all assets, liabilities and trade to another subsidiary within the Group on 19 December 2011. The disposal was at fair value and consideration was given in the form of an interest bearing loan. Subsequently, it has been determined that that PPE was overstated by £2.8m, which has been treated as a prior year error and therefore corrected as a prior year adjustment. As the amount of the consideration was defined as the fair value of the net assets disposed the intercompany debtor has also been reduced by £2.8m at the disposal date.

The restatement had the following effect on the Company financial statements as at 31 March 2012 and for the year then ended.

	As originally reported £'000	Adjustment £'000	As Restated £'000
Profit and loss account for the year ended 31 March 2012			
Profit on sale of assets	33,380	(2,840)	30,540
Interest receivable and similar income	1,370	(72)	1,298
Balance sheet as at 31 March 2012			
Debtors – due after 1 year	55,067	(2,912)	52,155

21 Immediate parent company and ultimate controlling party

The immediate parent company is Star Energy Group Limited, which is incorporated in England and Wales, and the ultimate controlling party is IGas Energy plc.

IGas Energy consolidated financial statements are publicly available from the registered office 7 Down Street, London, W1J 7AJ.

22 Post balance sheet events

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

Star Energy Oil & Gas Limited's Annual Returns 2012

Star Energy Oil & Gas Limited

Annual report and Financial Statements

Year Ended

31 March 2012

Star Energy Oil & Gas Limited

Annual report and financial statements for the year ended 31 March 2012

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Directors

A Austin
S Bowler

Secretary

MoFo Secretaries Limited

Registered office

7 Down Street, London, W1J 7AT

Company number

2275006

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Star Energy Oil & Gas Limited

Annual report of the directors
for the year ended 31 March 2012

The directors present their annual report together with the audited financial statements for the year ended 31 March 2012

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year

The company made a profit for the year of £51,975,000 (2011 – £12,675,000) No dividend was paid or proposed for the year (2011 - £Nil) The retained profit is transferred to reserves giving an accumulated surplus carried forward at 31 March 2011 of £50,890,000 (2011 – deficit of £1,085,000)

Principal activity, trading review and future developments

On 14 December 2011, the company's parent company, Star Energy Group Limited, was acquired by IGas Energy plc On 19 December 2011, all oil and gas producing assets, liabilities and their related trade were transferred to Island Gas Limited

The principal activity of the company until the above acquisition was that of crude oil exploration, development and production and electricity generation

The directors are satisfied with the results for the year

Along with other companies that comprise the IGas Energy Group ('the Group'), the company is consolidated in the Annual Report and Accounts of IGas Energy plc ('the Parent') for the period ended 31 March 2012 from the date on which the company was acquired

The company's principal risks, uncertainties and key performance indicators are only reported and managed at the IGas Energy Group level To gain a further understanding of this business further details are disclosed in the Annual Report and Accounts of IGas Energy plc

Going concern

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements

The financial statements have been prepared on the going concern basis, the validity of which depends upon the future support of the company's parent undertaking, IGas Energy plc The directors have no reason to believe that this support will not continue and have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least one year from the date of approval of the financial statements

Charitable donations

The company made charitable contributions during the year of £Nil (2011 - £27,000)

Directors

The directors of the company during the year were

R Wessel (resigned 21 November 2011)
C Judd (resigned 21 November 2011)
K Reinisch (appointed 19 September 2011 and resigned 14 December 2011)
T Aziz (19 September 2011 and resigned 14 December 2011)
R Pearson (19 September 2011 and resigned 14 December 2011)
P Karunakaran (appointed 18 October 2011 and resigned 14 December 2011)
E Othman (appointed 18 October 2011 and resigned 14 December 2011)
M Jusoh (appointed 18 October 2011 and resigned 14 December 2011)
S Yap (appointed 18 October 2011 and resigned 14 December 2011)
S Bowler (appointed 14 December 2011)
A Austin (appointed 14 December 2011)

Corporate governance
Star Energy Oil & Gas Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

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

Directors' 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 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 54 of the Company's Articles of Association as adopted on 5 October 2009 These provisions remained in force throughout the year and remain in place at the date of this report

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

Stephen Bowler
Director
12 February 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR ENERGY OIL AND GAS LIMITED

We have audited the financial statements of Star Energy Oil and Gas Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profits for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
12 February 2013

Star Energy Oil & Gas Limited

Profit and loss account
for the year ended 31 March 2012

	Note	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Turnover	2	26,507	11,997
Operating costs		(6,644)	(4,461)
Depletion		(2,212)	(1,448)
Total cost of sales		(8,856)	(5,909)
Gross profit		17,651	6,088
Other administration costs		(2,042)	(809)
Impairment of unsuccessful exploration and evaluation assets		-	(1,209)
Total administration costs		(2,042)	(2,018)
Other income		68	21
Profit on sale of assets	24	33,380	-
Operating profit	5	49,057	4,091
Income from fixed asset investments	6	-	11,386
Interest receivable and similar income	7	1,370	629
Interest payable and similar charges	8	(524)	(508)
Profit on ordinary activities before taxation		49,903	15,598
Taxation on profit on ordinary activities	9	2,072	(2,923)
Profit for the financial year	21	51,975	12,675

The above results derive from assets held by the company during the year and were transferred to Island Gas Limited on 19 December 2011

Statement of total recognised gains and losses
for the year ended 31 March 2012

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of £51,975,000 for the year ended 31 March 2012 (2011 - £12,675,000)

Star Energy Oil & Gas Limited

Balance sheet
at 31 March 2012

	Note	31 March 2012		31 March 2011	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments			-		-
Intangible assets	11		-	9	
Tangible assets	12		-	32,950	
			-		32,959
Current assets					
Stocks	13	-		294	
Debtors - due within 1 year	14	3,204		3,887	
- due after 1 year	14	55,067		-	
Cash at bank and in hand		-		41	
			58,271		4,222
Creditors: amounts falling due within one year	15		(3 204)		(9,885)
Net current assets/liabilities			55,067		(5,663)
Total assets less current liabilities			55,067		27,296
Creditors: amounts falling due after more than one year	16	-		(4,750)	
Deferred tax liabilities	9	-		(12,098)	
Provisions for liabilities and charges	18	-		(7,356)	
Net assets			55,067		3,092
Capital and reserves					
Called up share capital	19	4,177		4,177	
Profit and loss account	20	50,890		(1,085)	
Shareholder's surplus	21		55,067		3,092

The financial statements were approved by the Board of Directors and authorised for issue on 12 February 2013

Stephen Bowler
Director

The notes on pages 8 to 22 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice The following principal accounting policies have been applied

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, and in accordance with Statement of Recommended Practice ("SORP") Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities The company has adopted the successful efforts method of accounting for oil and gas operations

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements

The financial statements have been prepared on the going concern basis, the validity of which depends upon the future support of the company's parent undertaking, IGas Energy plc The directors have no reason to believe that this support will not continue and have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least one year from the date of approval of the financial statements

Under *Financial Reporting Standard (FRS)1 Cash flow statements*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated group financial statements These financial statements therefore present information about the company as an individual undertaking and not about its group

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the United Kingdom, the company has taken advantage of the exemption contained in *FRS 8 Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGas Energy plc and Star Energy Oil & Gas Limited belong The consolidated financial statements of IGas Energy plc, within which this company is included, can be obtained from IGas Energy plc's registered office

Turnover

All turnover is derived from UK based operations Turnover is derived from sales of oil to third party customers Electricity and gas turnover is recognised on a monthly basis calculated from meter readings

Revenue is recognised when the 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

Intangible fixed assets

Exploration expenditure which is general in nature is charged directly to the profit and loss account and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised to be depreciated over the lives of these reserves

Once capitalised, exploration and evaluation expenditure is reviewed for impairment at each balance sheet date Any impairment is charged through the profit and loss account

The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested If it is decided to develop the area to which the

1 Accounting policies *(Continued)*

Intangible fixed assets (Continued)

intangible fixed asset expenditure relates, the expenditure will be transferred to tangible fixed assets as oil and gas properties

Tangible fixed assets – oil and gas properties

Any impairment in the value of an asset is charged through the profit and loss account as additional depletion where it is considered that an impairment of the asset value has occurred

Proceeds from the full or partial disposal of a property where commercial reserves have not been established are credited to the relevant cost centre Only if there is a surplus in the cost centre are any of the proceeds credited to income A gain or loss on disposal of an interest in a field where commercial reserves have been established is recognised to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalized costs of the field or property

Depletion and depreciation – oil and gas properties

Capitalised expenditure within each separate field is depleted on a unit of production basis The depletion charge is based on estimates of proven The costs of undeveloped acreage and exploration assets are excluded from the capitalised field to be depleted, pending determination of the recoverable reserves attributable to such assets

Other tangible fixed assets

Other tangible fixed assets are stated at historical cost or valuation, net of depreciation and any provision for impairment Depreciation is calculated on all other tangible fixed assets, other than freehold land, on a straight-line basis at rates calculated to write off the cost or valuation of those assets, less estimated residual value, over its expected useful life of between 3 and 20 years

Stocks

Stocks are stated at the lower of cost and net realisable value The weighted average cost method is used to determine the cost of ordinarily inter-changeable items

Taxation

UK current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date No charge or credit is given for group relief

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

1 Accounting policies *(Continued)*

Taxation (Continued)

Deferred tax is measured at the weighted average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Leases

Operating leases and the corresponding rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease

Assets under finance leases are included under tangible fixed assets at their capital value and depreciated over their useful lives Lease payments consist of capital and finance charge elements, and the finance charge element is charged to the profit and loss account

Foreign currencies

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

Impairments

Where there is an indication that the value of an oil and gas field may be impaired, the net amount at which the field is recorded is assessed for recoverability against the discounted future estimated net cash flows expected to be generated from the estimated remaining commercial reserve This assessment is made on the basis of future oil and gas prices, exchange rates and cost levels as forecast at the balance sheet date A provision is made, by way of an additional depreciation charge, where the carrying value of the field exceeds the discounted future net cash flows to be derived from its estimated remaining commercial reserves

Decommissioning provision and asset

Licensees have an obligation to restore producing fields to a condition acceptable to the relevant authorities at the end of their commercial lives Under *FRS 12 Provisions, Contingent Liabilities and Contingent Assets*, the discounted present value of this future cost has been provided for and capitalised within the respective field The capitalised cost is amortised through the field on a unit of production basis and the increase in the net present value of the future cost (the unwinding of the discount) is included within interest payable and other similar charges

Post-retirement benefits

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged against profits represents the contributions payable to the scheme in respect of the financial year

Investments

Fixed asset investments in subsidiaries and unlisted investments are included in the financial statements at cost less provision for impairment

Dividends

Dividends are recognised when they become legally payable Interim equity dividends are recognised when paid Final equity dividends are recognised when approved by the shareholders at an annual general meeting

2 Turnover

All turnover is derived from UK based operations

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Oil sales	26,088	11,471
Electricity sales	417	518
Gas sales	2	8
	26,507	11,997

3 Employees

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Staff costs (including directors) consist of		
Wages and salaries	2,014	1,591
Social security costs	249	141
Other pension costs	153	100
	2,416	1,832

The average number of employees, including directors, during the year was

	Number	Number
Administrative	6	2
Technical - Other	71	35
	77	37

Following the restructuring of the Star Energy Group payroll in August 2007, personnel working on Star Energy Weald Basin Limited operations were employed by Star Energy Oil & Gas Limited Personnel working for both subsidiaries were paid by Star Energy Limited Following the sale of Star Energy Group Limited in December 2011 to IGas Energy plc, all employment contracts were transferred to Star Energy Limited, however, certain employees continued to work on Star Energy Oil & Gas Limited operations The staff costs relating to these personnel are then charged to the relevant subsidiary as part of a management charge

4 Remuneration of directors

No directors serving at the balance sheet date or during the year ended 31 March 2012 were paid any emoluments directly by the company (2011 £nil) for services to the company

With respect to the period to 14 September 2011 a management charge of £1,283,000 has been made by Star Energy Group Limited and Star Energy Limited, which includes remuneration of the former directors who resigned on this date It is not considered possible to determine the level of remuneration recharged This management charge also included termination payments made to the former group directors totalling £568,000

Subsequent to 14 December 2011, no management charge has been made by IGas Energy plc It is not considered possible to determine the level of remuneration recharged

The total remuneration paid to current group directors is disclosed in the IGas Energy Plc financial statements

5 Operating profit

		Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Operating profit is stated after charging			
Auditors' remuneration		44	30
Depletion, depreciation and other amounts written off tangible fixed assets			
Oil and gas assets	- owned	2,212	1,448
Operating lease costs	- land and buildings	456	454
	- other	89	93
Foreign exchange movements		(185)	(104)
Profit on disposal of assets		33,380	-

6 Income from fixed asset investments

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Dividends from Group undertakings	-	11,386

7 Interest receivable and similar income

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Bank interest receivable	10	-
Interest received from group undertakings	1,360	-
Foreign exchange gains	-	629
	1,370	629

8 Interest payable and similar charges

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Amount owing to group undertakings	(206)	(184)
Finance charges payable in respect of finance leases and hire purchase contracts	(6)	(12)
Unwinding of discount on decommissioning provision	(312)	(312)
	(524)	(508)

No interest was capitalised during the year (2011 - £Nil)

9 Taxation on profit from ordinary activities

Analysis of tax charge in year

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
UK corporation tax		
Current charge at tax rate of 62% (2011 – 50 26%)	(9,987)	(1,576)
Adjustment in respect of prior years	(39)	370
	(10,026)	(1,206)
Deferred tax		
Origination of timing differences	11,946	(1,780)
Adjustment in respect of prior years	152	63
	12,098	(1,717)
Tax (charge)/credit on profit on ordinary activities	2,072	(2,923)

Factors affecting the current tax charge for the current year

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit on ordinary activities before tax	49,903	15,598
Profit on ordinary activities at the weighted average rate of corporation tax in the UK of 62% (2011 – 50 26%)	(30,940)	(7,840)
Effects of		
Expenses not deductible for tax purposes	3	(14)
Capital allowances in excess of depreciation	-	229
Temporary Differences	(448)	-
Interest not deductible for supplementary charge	6	109
Rate difference on non ring-fence trade	635	-
Losses utilised	134	-
Non chargeable gain	20,693	5,723
Losses carried forward to future periods	-	274
Group relief	(70)	(57)
Adjustments in respect of previous year	(39)	370
Total current tax (charge)/credit	(10,026)	(1,206)

Factors that may affect future tax charges

A deferred tax asset of £nil (2011 £13 8 million) has not been recognised at the balance sheet date, on the basis that the availability of suitable taxable profits arising in the future against which temporary difference could reverse is not considered probable

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

Deferred tax liability

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
At beginning of the year	(12,098)	(4,267)
Adjustment in respect of prior year	152	63
Profit and loss (charge)/credit for the year	11,946	(1,780)
Acquisition(Note 23)	-	(6,114)
At end of the year	-	(12,098)

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
The deferred tax liability is comprised of		
Accelerated capital allowances	-	(14,142)
Trade losses utilised	-	-
Decommissioning asset	-	2,160
Tax losses not recognised	-	(116)
	-	(12,098)

10 Subsidiary undertaking

Star Energy Oil & Gas Limited holds 100% of the £1 ordinary shares of Star Energy (East Midlands) Limited which is incorporated in the United Kingdom

11 Intangible fixed assets

	Exploration expenditure £'000
Cost	
At 1 April 2011	9
Disposal (Note 24)	(9)
Net book value	
At 31 March 2012	-
At 31 March 2011	9

12 Tangible fixed assets

	Freehold Land £'000	Freehold Buildings £'000	Oil and Gas Properties £'000	Fixtures and Fittings £'000	Total £'000
Cost					
At 1 April 2011	15	1,393	76,210	2,050	79,668
Additions	-	17	1,110	41	1,168
Disposal (Note 24)	(15)	(1,410)	(77,320)	(2,091)	(80,836)
At 31 March 2012	-	-	-	-	-
Depreciation					
At 1 April 2011	-	(452)	(45,283)	(983)	(46,718)
Charge for the year	-	(124)	(1,959)	(129)	(2,212)
Disposal (Note 24)	-	576	47,242	1,112	48,930
At 31 March 2012	-	-	-	-	-
Net book value					
At 31 March 2012	-	-	-	-	-
At 31 March 2011	15	941	30,927	1,067	32,950

12 Tangible fixed assets *(Continued)*

Included in the total net book value of fixed assets is £Nil (2011 - £251,000) in respect of assets held under finance leases and similar hire purchase contracts Depreciation for the year on these assets was £29,000 (2011 - £41,000)

13 Stock

	2012 £'000	2011 £'000
Raw materials and consumables	-	294

There is no material difference between the replacement cost of stocks and the amount stated above

14 Debtors – due within 1 year

	2012 £'000	2011 £'000
Trade debtors	-	3,476
Amounts owed by affiliates	58,271	-
Other debtors	-	119
Prepayments and accrued income	-	292
	58,271	3,887

Amounts falling due after more than 1 year included above are

Amounts owed by affiliates (note 24)	55,067	-

15 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Obligations under finance leases and hire purchase contracts	-	(82)
Trade creditors	-	(755)
Amounts owed to affiliates	-	-
Accruals and deferred income	-	(705)
Taxation	(3,204)	(8,343)
	(3,204)	(9,885)

16 Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Obligations under finance leases and hire purchase contracts	-	(50)
Amounts owed to affiliates	-	(4,700)
	-	(4,750)
Analysis of debt		
Debt can be analysed as falling due		
Within one year or on demand	-	(82)
Between one and two years	-	(50)
Between two and five years	-	-
In five years or more	-	(4,700)
	-	(4,832)

Amounts due in over 5 years in the prior year are inter-company debts with interest bearing elements

17 Obligations under finance leases and hire purchase contracts

	2012 £'000	2011 £'000
Amounts payable		
Within one year	-	(82)
In second to fifth years inclusive	-	(50)
	-	(132)

18 Provisions for liabilities

	2012 Decommissioning £'000	2012 Other £'000	2012 Total £'000	2011 Decommissioning £'000	2011 Other £'000	2011 Total £'000
At the beginning of the year	7,274	82	7,356	3,074	153	3,227
Unwinding of the discount	312	-	312	312	-	312
Effect of change in timing	-	-	-	599	-	599
Reassessment of liability	-	-	-	1,532	-	1,532
Utilisation of provision	8	(10)	(2)	(99)	(71)	(170)
Acquisition (Note 23)		-	-	1,856	-	1,856
Disposal (Note 24)	(7,594)	(72)	(7,666)	-	-	-
At the end of the year	-	-	-	7,274	82	7,356

Provision has been made for the discounted future cost of restoring producing fields to a condition acceptable to the relevant authorities The decommissioning of the fields is expected to happen within 1 to 42 years

19 Called up share capital

	2012 Number	2011 number	2012 £	2011 £
Authorised				
Ordinary shares of £1 each	4,176,708	4,176,708	4,176,708	4,176708
Allotted, called up and fully paid				
Ordinary shares of £1 each	4,176,708	4,176,708	4,176,708	4,176,708

20 Capital and Reserves

	Share capital	Profit and loss	Total
	£'000	£'000	£'000
At beginning of the year	4,177	(1,085)	3,092
Retained profit for the year	-	51,975	51,975
At the end of the year	4,177	50,890	55,067

21 Reconciliation of movements in shareholders' funds

	Year ended 31 March 2012	Year ended 31 March 2011
	£'000	£'000
Issued share capital	-	365
Debt converted to equity	-	3,812
Profit for the financial year	51,975	12,675
Net increase to shareholder's funds	51,975	16,852
Opening shareholder's (deficit)	3,092	(13,760)
Closing shareholder's surplus/(deficit)	55,067	3,092

22 Pension scheme

The company operates a defined contribution pension scheme The pension cost charge for the year ended 31 March 2012 represents contributions payable by the company to the fund and amounted to £153,000 (2011 - £100,000)

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year (2011 - £Nil)

23 Acquisition

As part of a Group wide restructuring, the company acquired 100% of the issued share capital of Star Energy (East Midlands) Limited from its parent, Star Energy Group Limited, on 31 March 2011 by issuing 364,705 £1 shares in consideration The combination of the two companies has been accounted for using merger accounting

Immediately following this, certain assets, liabilities and their related trade of Star Energy (East Midlands) Limited were transferred to the company The consideration was settled via the inter-company account

The following table sets out the book value of assets and liabilities on acquisition

	Book value £'000
Fixed assets	
Intangible	8
Tangible	18,172
Current assets	
Inventories	246
Debtors	8,716
Total assets	27,142
Creditors	
Due within 1 year	(7,421)
Provisions for liabilities and charges	(7,971)
Net assets	11,750

24 Disposal of Assets

On 19 December 2011, all assets and liabilities along with the related trade of Star Energy Oil and Gas Limited were sold to Island Gas Limited for consideration of £52,348,000 The company made a profit of £33,380,000 upon disposal and the consideration was settled by way of a loan facility agreement

25 Commitments under operating leases

As at 31 March 2012, the company had annual commitments under non-cancellable operating leases as set out below

	2012 Land and Buildings £'000	2012 Other £'000	2011 Land and Buildings £'000	2011 Other £'000
Operating leases which expire				
Within one year	-	-	395	62
In two to five years	-	-	49	43
	-	-	444	105

26 Capital commitments

There are no capital commitments at the end of the year (2011 - £20,705) for which no provision has been made

27 Immediate parent company and ultimate controlling party

The immediate parent company is Star Energy Group Limited, which is incorporated in England and Wales, and the ultimate controlling party is IGas Energy plc

IGas Energy consolidated financial statements are publicly available from the registered office 7 Down Street, London, W1J 7AJ

28 Post balance sheet events

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

Star Energy (East Midlands) Limited's Annual Returns 2013

Star Energy (East Midlands) Limited

Annual Report and Financial Statements

Year Ended

31 March 2013

Star Energy (East Midlands) Limited

Annual report and financial statements for the year ended 31 March 2013

Contents

Page:

Directors

A Austin
S Bowler

Secretary

MoFo Secretaries Limited

Registered office

7 Down Street, London, W1J 7AJ.

Company number

3966330

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

Star Energy (East Midlands) Limited

Annual Report of the directors
for the year ended 31 March 2013

The directors present their Annual report together with the audited financial statements for the year ended 31 March 2013.

Principal activity, trading review and future development

The company was dormant throughout the year following the transfer of all activity to Star Energy Oil and Gas Limited on 31 March 2011, and accordingly no profit and loss account has been presented.

Charitable donations

During the year, the company made charitable contributions of £nil (2012- £Nil). There were no political contributions.

Directors

The directors of the company during the year were:

S Bowler
A Austin

Corporate governance

Star Energy (East Midlands) Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance.

Directors' responsibility statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at that year end date. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors' 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 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 54 of the Company's Articles of Association as adopted on 5 October 2009. These provisions remained in force throughout the year and remain in place at the date of this report.

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the period ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Stephen Bowler
Director

5 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR ENERGY (EAST MIDLANDS) LIMITED

We have audited the financial statements of Star Energy Oil and Gas Limited for the year ended 31 March 2013 which comprise the Balance Sheet and the related notes 1 to 7. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst + Young LLP

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

5 September 2013

Star Energy (East Midlands) Limited
Balance sheet
at 31 March 2013
Company number 3966330

	Notes	£	31 March 2013 £	£	31 March 2012 £
Current assets					
Amounts due from affiliates					
- due within 1 year		1		1	
			1		**1**
Net current assets		1		1	
Net assets			**1**		**1**
Capital and reserves					
Called up share capital	4	1		1	
Profit and loss account		-		-	
Shareholder's funds	5		**1**		**1**

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

Stephen Bowler
Director

The notes on pages 7 to 9 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The following principal accounting policies have been applied:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, and in accordance with the Statement of Recommended Practice ("SORP"): Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities.

Under *Financial Reporting Standard (FRS) 1: Cash flow statements*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the United Kingdom, the company has taken advantage of the exemption contained in *FRS 8: Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGas Energy plc and Star Energy East Midlands Limited belong. The consolidated financial statements of IGas Energy plc, within which this company is included, can be obtained from IGas Energy plc's registered office.

No Profit and loss account or Statement of total recognised gains and losses prepared

The company is dormant and has not traded during the current or prior period.

The company received no income and incurred no expenditure in the period and therefore did not make either a profit or loss.

There are no recognised gains or losses attributable to the shareholders of the company for the year ended 31 March 2013 (2012: nil).

Going concern

The Company is a subsidiary of IGas Energy Plc ("IGas") which provides it with access to suitable central resources including finance. IGas has given the Company certain assurances regarding the financing of the Company's commitments falling due in the year following approval by the Board of this annual report.

The Directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. Their enquiries included consideration of the financial statements of IGas for the year ended 31 March 2013, approved on 10 July 2013, which were prepared on a going concern basis.

2 Employees and Remuneration of directors

There were no employees during the year (2012: nil).

No directors serving at the balance sheet date or during the year ended 31 March 2013 were paid any emoluments directly by the company (2012: £nil) for services to the company.

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

The total remuneration paid to current group directors is disclosed in the IGas Energy Plc. financial statements.

3 Auditor remuneration

The audit fee of £2,000 was borne by Star Energy Group Limited.

4 Called up share capital

	2013 Number	2012 Number	2013 £	2012 £
Authorised				
Ordinary shares of £1 each	**1**	1	**1**	1
Allotted, called up and fully paid				
Ordinary shares of £1 each	**1**	1	**1**	1

5 Reconciliation of movements in shareholder's funds

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Retained profit for the financial year	-	-
Issue of new share capital	-	-
Net increase to shareholder's funds	-	-
Opening shareholder's funds	1	1
Closing shareholder's funds	1	1

6 Immediate parent company and ultimate parent company

The immediate parent company is Star Energy Oil & Gas Limited, which is incorporated in England and Wales, and the ultimate controlling party is IGas Energy plc.

The consolidated financial statements of IGas Energy plc are publicly available from the registered office 7 Down Street, London, W1J 7AJ.

7 Post balance sheet events

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

Star Energy (East Midlands) Limited's Annual Returns 2012

Star Energy (East Midlands) Limited

Annual Report and Financial Statements

Year Ended

31 March 2012

Star Energy (East Midlands) Limited

Annual report and financial statements
for the year ended 31 March 2012

Contents

Page:

Directors

A Austin
S Bowler

Secretary

MoFo Secretaries Limited

Registered office

7 Down Street, London, W1J 7AJ

Company number

3966330

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Star Energy (East Midlands) Limited

Annual Report of the directors
for the year ended 31 March 2012

The directors present their Annual report together with the audited financial statements for the year ended 31 March 2012

Results and dividends

The company Profit and Loss is set out on page 5

Principal activity, trading review and future development

The company was dormant throughout the year following the transfer of all activity to Star Energy Oil and Gas Limited on 31 March 2011

Charitable donations

During the year, the company made charitable contributions of £Nil (2011- £7,000) There were no political contributions

Directors

The directors of the company during the year were

R Wessel (resigned on 21 November 2011)
C Judd (resigned on 21 November 2011)
M J Horgan (resigned on 14 October 2011)
S Reast (resigned on 13 December 2011)
K Reinisch (appointed on 19 September 2011 and resigned on 14 December 2011)
P Karunakaran (appointed 18 October 2011 and resigned 14 December 2011)
E Othman (appointed 18 October 2011 and resigned 14 December 2011)
M Jusoh (appointed 18 October 2011 and resigned 14 December 2011)
T Aziz (appointed 18 October 2011 and resigned 14 December 2011)
S Yap (appointed 18 October 2011 and resigned 14 December 2011)
S Bowler (appointed 14 December 2011)
A Austin (appointed 14 December 2011)

Corporate governance

Star Energy (East Midlands) Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance

Directors' responsibility statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

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

Directors' 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 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 54 of the Company's Articles of Association as adopted on 5 October 2009 These provisions remained in force throughout the year and remain in place at the date of this report

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

In accordance with the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

Stephen Bowler
Director

12 February 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR ENERGY OIL AND GAS LIMITED

We have audited the financial statements of Star Energy Oil and Gas Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profits for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the shareholder of Star Energy (East Midlands) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst + Young LLP.

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

12 February 2013

Star Energy (East Midlands) Limited

Profit and loss account
for the year ended 31 March 2012

	Note	Year Ended 31 March 2012 £000	Year Ended 31 March 2011 £000
Turnover	2	-	18,458
Operating costs		-	(5,320)
Depletion		-	(1,074)
Total cost of sales		-	(6,394)
Gross profit		-	12,064
Administration costs		-	(463)
Other operating income		-	89
Profit on sale of fixed assets		-	2
Operating profit	4	-	11,692
Interest receivable and similar income	5	-	560
Interest payable and similar charges	6	-	(726)
Profit on ordinary activities before taxation		-	11,526
Taxation on profit on ordinary activities	7	-	(7,147)
Retained profit for the financial year		-	**4,379**

Statement of total recognised gains and losses
for the year ended 31 March 2012

There are no recognised gains or losses attributable to the shareholder of the company other than the profit of £nil for the year ended 31 March 2012 (2011 – profit of £4,379,000)

The notes on pages 7 to 14 form part of these financial statements

Star Energy (East Midlands) Limited

Balance sheet
at 31 March 2012
Company number 3966330

		Year Ended 31 March 2012 £000	Year Ended 31 March 2011 £000
Net assets		-	-
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account		-	-
Shareholder's funds	11	-	-

The financial statements were approved by the Board of Directors and authorised for issue on 12 February 2013

Stephen Bowler
Director

The notes on pages 7 to 14 form part of these financial statements

Star Energy (East Midlands) Limited

Notes forming part of the financial statements
for the year ended 31 March 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice The following principal accounting policies have been applied

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, and in accordance with the Statement of Recommended Practice ("SORP") Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities The company has adopted the successful efforts method of accounting for oil and gas operations

Under *Financial Reporting Standard (FRS) 1 Cash flow statements*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the United Kingdom, the company has taken advantage of the exemption contained in *FRS 8 Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group to which both IGas Energy plc and Star Energy East Midlands Limited belong The consolidated financial statements of IGas Energy plc, within which this company is included, can be obtained from IGas Energy plc's registered office

As part of a Group wide restructuring in 2011 the company was acquired by Star Energy Oil and Gas Limited and all of its assets, liabilities and their related trade were transferred to Star Energy Oil and Gas Limited on 31 March 2011

Turnover

All turnover is derived from UK based operations Turnover is derived from sales of oil to third party customers Electricity and gas turnover is recognised on a monthly basis calculated from meter readings

Intangible fixed assets

Exploration expenditure which is general in nature is charged directly to the profit and loss account and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised to be depreciated over the lives of these reserves

Once capitalised, exploration and evaluation expenditure is reviewed for impairment at each balance sheet date Any impairment is charged through the profit and loss account

The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested If it is decided to develop the area to which the intangible fixed asset expenditure relates, the expenditure will be transferred to tangible fixed assets as oil and gas properties

1 Accounting policies *(Continued)*

Tangible fixed assets – oil and gas properties

Any impairment in the value of an asset is charged through the profit and loss account as additional depletion where it is considered that an impairment of the asset value has occurred

Proceeds from the full or partial disposal of a property where commercial reserves have not been established are credited to the relevant cost centre Only if there is a surplus in the cost centre are any of the proceeds credited to income A gain or loss on disposal of an interest in a field where commercial reserves have been established is recognised to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalized costs of the field or property

Depletion and depreciation – oil and gas properties

The net book value of producing assets are depreciated on a field by field basis using the unit of production method by reference to the ratio of production in the period to the related commercial reserves of the field at the beginning of the period, taking into account future development expenditures necessary to bring those reserves into production

Other fixed assets

Other tangible fixed assets are stated at historical cost or valuation, net of depreciation and any provision for impairment Depreciation is calculated on all other tangible fixed assets, other than freehold land, on a straight-line basis at rates calculated to write off the cost or valuation of those assets, less estimated residual value, over its expected useful life of between 3 and 10 years

Stocks

Stocks are stated at the lower of cost and net realisable value

Taxation

UK current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date No charge or credit is given for group relief

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the weighted average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

1 Accounting policies *(Continued)*

Leases

Operating leases and the corresponding rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease

Assets under finance leases are included under tangible fixed assets at their capital value and depreciated over their useful lives Lease payments consist of capital and finance charge elements, and the finance charge element is charged to the profit and loss account

Foreign currencies

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

Impairments

Where there is an indication that the value of an oil and gas field may be impaired, the net amount at which the field is recorded is assessed for recoverability against the discounted future estimated net cash flows expected to be generated from the estimated remaining commercial reserve This assessment is made on the basis of future oil and gas prices, exchange rates and cost levels as forecast at the balance sheet date A provision is made, by way of an additional depreciation charge, where the carrying value of the field exceeds the discounted future net cash flows to be derived from its estimated remaining commercial reserves

Decommissioning provision and asset

Licensees have an obligation to restore producing fields to a condition acceptable to the relevant authorities at the end of their commercial lives Under *FRS 12 Provisions, Contingent Liabilities and Contingent Assets*, the discounted present value of this future cost has been provided for and capitalised within the respective field The capitalised cost is amortised through the field on a unit of production basis and the increase in the net present value of the future cost (the unwinding of the discount) is included within interest payable and other similar charges

Post-retirement benefits

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year

Managing capital

The primary objective of the company's capital management is to maintain appropriate levels of funding to meet its commitments and to safeguard the entity's ability to continue as a going concern, so that it can support its business and create shareholder value The company monitors the capital structure and seeks to adjust this as considered appropriate

2 Turnover

All turnover is derived from UK based operations

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Oil sales	-	18,458
	-	18,458

3 Employees and Remuneration of directors

There were no employees during the year (2011 nil)

No remuneration has been paid to directors in respect of services to Star Energy (East Midlands) Limited in the current year (2011 - £Nil)

4 Operating profit

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Operating profit is stated after charging/(crediting)		
Auditors' remuneration	-	27
Depletion, depreciation and other amounts written off tangible fixed assets		
Oil and gas assets	-	1,074
Operating lease charges		
Land and buildings	-	148
Other	-	17
Foreign exchange differences	-	27

For the year ended 31 March 2012, the auditors' remuneration fee of £1,000 (2011 - £27,000) was borne by Star Energy Oil and Gas Limited

5 Interest receivable and similar income

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Other interest received	-	560

6 Interest payable and similar charges

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Amounts owing to group undertakings	-	(621)
Unwinding of discount on decommissioning provision	-	(105)
	-	(726)

No interest was capitalised during the year

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

Analysis of tax charge/(credit) in year

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
UK corporation tax charge		
Current charge at tax rate of 50 26% (2011 – 50 26%)	-	5,801
Adjustments in respect of previous periods	-	21
	-	5,822
Deferred tax charge		
Origination/(reversal) of timing differences	-	125
Adjustment in respect of previous periods	-	1,200
	-	1,325
Tax charge/(credit) on profit on ordinary activities	-	7,147

7 Tax charge on profit/(loss) on ordinary activities *(Continued)*

Factors affecting the current tax charge/(credit) for the current year

The tax assessed for the year is lower than the weighted average rate of corporation tax in the UK The differences are explained below

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Profit/(loss) on ordinary activities before tax	-	11,526
Profit/(loss) on ordinary activities at the weighted average rate of corporation tax in the UK of 50 26% (2011 – 50 26%)	-	(5,793)
Effects of		
Expenses not deductible for tax purposes	-	(42)
Capital allowances in excess of depreciation	-	12
Interest not allowed for supplementary charge	-	(18)
Group relief	-	40
Adjustment in respect of previous years	-	(21)
Total current tax charge (see above)	-	(5,822)

Deferred tax liability	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
At beginning of the year	-	(4,789)
Profit and loss (expense)/credit for the year	-	(125)
Adjustment in respect of previous periods	-	(1,200)
Transfers	-	6,114
At end of the year	-	-

The deferred tax liability is comprised of:	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Accelerated capital allowances	-	-
Abandonment provision	-	-
Decommissioning asset	-	-
	-	-

Star Energy (East Midlands) Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 *(Continued)*

8 Provisions for liabilities

	31 March 2012			31 March 2011		
	Decommissioning £'000	Other £'000	Total £'000	Decommissioning £'000	Other £'000	Total £'000
At the beginning of year	-	-	-	2,259	4	2,263
Unwinding of the discount	-	-	-	105	-	105
Effect of change in timing	-	-	-	(404)	-	(404)
Provision utilisation	-	-	-	-	(4)	(4)
Addition	-	-	-	-	-	-
Reassessment	-	-	-	(104)	-	(104)
Transfer	-	-	-	(1,856)	-	(1,856)
At the end of the year	-	-	-	-	-	-

Provision was made for the discounted future cost of restoring producing fields to a condition acceptable to the relevant authorities The decommissioning of the fields was expected to happen in 1 to 31 years

9 Called up share capital

	2012 Number	2011 Number	2012 £	2011 £
Authorised				
Ordinary shares of £1 each	**1**	1	**1**	1
Allotted, called up and fully paid				
Ordinary shares of £1 each	**1**	1	**1**	1

10 Capital and reserves

	Share premium account £'000	Capital reserves £'000	Profit and loss account £'000	Total £'000
At 1 April 2011	-	-	-	-
Retained profit for the period	-	-	-	-
At 31 March 2012	-	-	-	-

11 Reconciliation of movements in shareholder's funds

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Retained profit for the financial year	-	4,379
Dividend in specie	-	(11,750)
Net (decrease)/increase in shareholder's funds	-	(7,371)
Opening shareholder's funds	-	7,371
Closing shareholders' funds	-	-

12 Pension scheme

The company operates a defined contribution pension scheme The pension cost charge for the year ended 31 March 2012 represents contributions payable by the company to the fund and amounted to £Nil (2011 - £105,412)

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year

13 Immediate parent company and ultimate parent company

The immediate parent company is Star Energy Oil & Gas Limited, which is incorporated in England and Wales, and the ultimate controlling party is IGas Energy plc

The consolidated financial statements of Star Energy Group Limited are publicly available from the registered office 7 Down Street, London, W1J 7AJ

14 Post balance sheet events

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

Island Gas (Singleton) Limited's
Annual Returns
2012

Island Gas (Singleton) Limited

(formerly P R Singleton Limited)

Directors' report and
financial statements

Year ended 31 December 2012

Registered number 1021095

Island Gas (Singleton) Limited
(formerly P R Singleton Limited)

Directors' report and financial statements

Contents	*Page*

Island Gas (Singleton) Limited
(formerly P R Sıngleton Lımıted)

Directors and other ınformation

Directors	S Bowler *(appoınted 28 February 2013)* A Austın *(appoınted 28 February 2013)*
Secretary	Mofo Secretarıes Lımıted Cıtypoınt 1 Ropemaker Street London EC2Y 9AW UK
Registered office	7 Down Street London W1J 7AJ UK
Solıcitors	Mofo Solıcıtors Cıtypoınt 1 Ropemaker Street London EC2Y 9AW UK
Auditor	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublın 2 Ireland
Bankers	Barclays Bank 1 Churchıll Road London E14 5HP UK

Island Gas (Singleton) Limited

(formerly P R Singleton Limited)

Directors' report

The directors submit their report, together with the audited financial statements, for the year ended 31 December 2012

Principal activities and business review

The company changed its name to Island Gas (Singleton) Limited on 19 March 2013

At 31 December 2012, Island Gas (Singleton) Limited (formerly P R Singleton Limited) was a wholly owned subsidiary of Providence Resources Plc ("Providence"), a publicly quoted company incorporated in the Republic of Ireland On 28 February 2013, Providence disposed of the company to IGas Energy plc The principal activity of the company is oil and gas exploration and production in the UK The directors anticipate that this activity will continue in the foreseeable future

Principal risks and uncertainties

The Company is exposed to market price risk through variations in the wholesale price of oil The Company is exposed to exchange rate risk through its major source of revenue being priced in US$ given costs other than debt are denominated in GBP

The Company is exposed to interest rate risk through its borrowings.

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

The Company 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 Company's assets or that oil or gas can be delivered economically The Company considers that such risks are mitigated given its assets are located in an established oil and gas producing area coupled with the extensive expertise and experience of its operating team

The Company is exposed to planning, environmental, licensing and other permitting risks associated with its operations and, in particular, with drilling and production operations The Company considers that such risks are mitigated through compliance with regulations and the expertise and experience of its operating team

The Company 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

Directors' and Secretary's shareholdings and other interests

On 28 February 2013, Tony O'Reilly, John O'Sullivan and Michael Graham resigned as directors of the company and, on the same date, Stephen Bowler and Andrew Austin were appointed as directors

On 28 February 2013, Michael Graham resigned as secretary of the company, and Mofo Secretaries Limited were appointed

The directors and secretary who held office at 31 December 2012 had no beneficial interests in the share capital of the company Their interests in the parent company are shown in the company's financial statements

There have been no contracts or arrangements during the financial year in which a director of the company was materially interested and which were significant in relation to the company's business

Post balance sheet events

On 28 February 2013, the company was sold to IGas Energy Plc for a consideration of $66 milion

Political and charitable donations

No contributions were made to political organisations.

Disclosure of information to auditor

The directors who held office at the date of approval of the directors' report confirm that, so far as they each are aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information to establish that the company's auditor is aware of the information

Auditors

KPMG, Chartered Accountants and Registered Auditor, will continue in office until the conclusion of the company's next Annual General Meeting The board has proposed that Ernst and Young ("E&Y"), Chartered Accountants and Registered Auditor, will be appointed as the company's independent auditor from the conclusion of this meeting

By order of the board,

S Bowler
Director

11 July 2013

Island Gas (Singleton) Limited

(formerly P R Singleton Limited)

Statement of directors' responsibilities in respect of the directors' report and financial statements

The directors are responsible for preparing the Directors Report and financial statements in accordance with applicable law and regulations

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

By order of the board,

S Bowler
Director

11 July 2013

KPMG

KPMG
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

Independent auditor's report to the members of Island Gas (Singleton) Limited
(formlery P.R. Singleton Limited)

We have audited the financial statements of Island Gas (Singleton) Limited for the year ended 31 December 2012 set out on pages 10 to 18 which comprise the profit and loss account, the balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

KPMG

Independent auditor's report to the members of Island Gas (Singleton) Limited *(formlery P.R. Singleton Limited) (continued)*

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Meagher **(Senior Statutory Auditor)** 11 July 2013
For and on behalf of KPMG, Statutory Auditor
Chartered Accountants
Registered Auditor
Dublin

Island Gas (Singleton) Limited

(formerly P R Singleton Limited)

Statement of accounting polices

for year ended 31 December 2012

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with UK generally accepted accounting practice under the historical cost convention, and comply with financial reporting standards of the Accounting Standards Board The financial statements are presented in sterling, rounded to the nearest thousand

Going concern

The company incurred a loss in the current year and is in a net liability position, due principally to an impairment charge on oil and gas assets recorded in the period Nonetheless, on the basis of continuing shareholder support which has been pledged, the directors have concluded that the company will continue as a going concern for a period of not less than 12 months from the date of approval for these financial statements

Turnover

Turnover is derived from the company's share of oil and gas revenues from producing properties during the year Revenues from the sale of oil and gas are recognised when the product passes out of the ownership of the company to external customers pursuant to enforceable sales contracts

Taxation

Corporation tax is provided on taxable profits at current rates

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Oil and Gas Interests

The Company accounts for oil and gas expenditure under the 'full cost' method of accounting

(i) *Exploration, appraisal and development expenditure*

Exploration, appraisal and development expenditure is incurred either through consortium operations or directly on acquiring, exploring or testing exploration prospects All lease, licence and property acquisition costs, geological and geophysical costs and other direct costs of exploration, appraisal and development are capitalised The amount capitalised includes other operating expenses directly related to these activities, interest expense and foreign exchange differences incurred on loans prior to the commencement of production

(ii) *Cost Pools*

Costs are capitalised within separate geographic cost pools, which comprise the United Kingdom in a single pool

Costs relating to the exploration and appraisal of oil and gas interests which the Directors consider to be unevaluated are initially held outside the cost pools Costs held outside cost pools are reassessed at each year end When a decision to develop these interests has been taken, or there is evidence of impairment, the related costs are transferred to the relevant cost pools

(iii) *Depreciation*

Expenditure within each cost pool is depreciated using the unit of production method based on commercial reserves Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the anticipated future costs of development of the undeveloped reserves at current year end unescalated prices Changes in cost and reserve estimates are dealt with prospectively

(iv) *Abandonment*

Provision is made for their anticipated costs of future restoration Management estimate the future costs associated with removal of production facilities, discounted to take account of risk and the time value of money These costs have been determined with reference to current legal requirements and current technology The present value of those future costs is recorded as a provision in the balance sheet

A corresponding abandonment asset is recorded in Oil and Gas Interests and is depreciated in accordance with the Company's depreciation policy set out at (iii) above

Annually, the unwinding of the discount factor is recorded as an expense in the profit and loss account and disclosed under 'Interest payable and similar charges' Changes in estimates which result in a revision of the net present value of the provision are accounted for by adjusting the provision, with a corresponding entry to Oil and Gas Interests

Oil and Gas Interests *(continued)*

(v) *Impairment test*

An impairment test is carried out at each balance sheet date to assess whether the net book value of capitalised costs in each pool, together with the future costs of development of undeveloped reserves, is covered by the discounted future net revenues from the reserves within that pool, calculated at prices prevailing at the year end Any deficiency arising is provided for to the extent that, in the opinion of the directors, it is considered to represent a permanent diminution in the value of the related asset, and, where arising, is dealt with in the profit and loss account as additional depreciation

Stocks

Stocks comprise barrels of oil and spare equipment at the Singleton oil field and are stated at the lower of cost and net realisable value

Derivative financial instruments

Derivatve financial instruments are treated as off balance sheet items, and are accounted for as they mature

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction or, where appropriate, at the rates of exchange in related forward exchange contracts Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange prevailing at the balance sheet date Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease terms

Cash flow statement

The Company is exempt from the requirements of Financial Reporting Standard No 1 'Cash Flow Statements' to include a cash flow statement as part of its financial statements because its parent company, Providence Resources Plc, which is incorporated in the Republic of Ireland, has prepared consolidated accounts which include the results of the company for the year and which contain a cash flow statement

Island Gas (Singleton) Limited
(formerly P R Singleton Limited)

Profit and loss account
for year ended 31 December 2012

	Notes	**2012 Stg£'000**	2011 Stg£'000
Turnover	*1*	**10,189**	9,786
Cost of sales		**(2,991)**	(2,772)
Gross profit		**7,198**	7,014
Administration expenses	*2*	**(1,459)**	(1,157)
Impairment of oil and gas assets	*7*	**(20,935)**	(3,619)
Operating (loss)/profit	*3,4*	**(15,196)**	2,238
Interest payable and similar charges	5	**(3,077)**	(5,994)
Loss on ordinary activities before taxation		**(18,273)**	(3,756)
Tax credit/(charge) on profit on ordinary activities	6	**13,845**	(2,680)
Loss for the financial year	*15*	**(4,428)**	(6,436)

There are no recognised gains or losses in the current or preceding financial periods other than those dealt with in the profit and loss account, and accordingly no statement of total recognised gains and losses is presented

S Bowler
Director

Island Gas (Singleton) Limited

(formerly P R Singleton Limited)

Balance sheet

at 31 December 2012

	Notes	**2012** **Stg£'000**	2011 Stg£'000
Fixed assets			
Oil and gas interests	*7*	**18,906**	19,311
Tangible assets	*8*	**3**	9
		18,909	19,320
Current assets			
Stocks	*9*	**276**	50
Debtors	*10*	**4,096**	53,505
Cash at bank and in hand		**994**	820
		5,366	54,375
Creditors: amounts falling due within one year	*11*	**(8,741)**	(36,513)
Net current (liabilities)/assets		**(3,375)**	17,862
Total assets less current liabilities		**15,534**	37,182
Creditors amounts falling due after more than one year	*12*	**(18,554)**	(25,025)
Provision for liabilities	*13*	**(717)**	(11,466)
Net (liabilities)/assets		**(3,737)**	691
Capital and Reserves			
Called up share capital	*14*	**4,357**	4,357
Profit and loss account	*15*	**(8,094)**	(3,666)
Shareholders' (deficit)/funds	*16*	**(3,737)**	691

S. Bowler

Director

1 Turnover

All the company's turnover in both the current and prior year was derived from sales of oil in the UK

Included in the turnover figure of £10,189,000 *(2011 £9,786,000)* is a debit of £243,000 *(2011 £897,000)* relating to the settlement of oil swaps and options during the year The company has swaps and options in place to hedge against commodity price risk, and at 31 December 2012 the fair value of these instruments was £2,032,000 *(2011 negative £4,698,000)*

2 Administration expenses

	2012 Stg£'000	2011 Stg£'000
Foreign exchange loss/(gain)	**722**	(102)
Operating expenses	**737**	1,259
	1,459	1,157

3 Staff numbers and costs

During the year, the company employed an average of 4 staff members (2011 3)

The aggregate payroll costs for these persons were as follows.

	2012 Stg£'000	2011 Stg£'000
Wages and salaries	**250**	130
Social welfare costs	**27**	4
	277	134

4 Statutory and other information

	2012 Stg£'000	2011 Stg£'000
Auditor's remuneration	**15**	15
Directors' remuneration	**-**	-
Depreciation and depletion	**1,149**	1,158
Impairment charge	**20,935**	3,619
Operating lease charges	**51**	38

The audit fee is borne by the parent company

5 Interest payable and similar charges

	2012 Stg£''000	2011 Stg£000
On bank loans and overdrafts	**3,037**	5,955
Unwinding of discount on decommissioning provision (note 13)	**40**	39
	3,077	5,994

6 Tax on loss on ordinary activities

	2012 Stg£'000	2011 Stg£'000
Corporation tax charge	**-**	-
Deferred tax		
Origination and reversal of timing differences	**(10,495)**	966
Adjustment in respect of previous periods	**(3,435)**	-
Effect of change in tax rates	**85**	1,714
Total deferred tax (credit)/charge (note 13)	**(13,845)**	2,680
Total tax (credit)/charge on profit on ordinary activities	**(13,845)**	2,680

The following are the factors affecting the current year tax charge:

	2012 Stg£'000	2011 Stg£'000
Loss on ordinary activities before tax	**(18,273)**	(3,756)
Tax credit at applicable rate of 62% (2011 59 3%)	**(11,329)**	(2,227)
Effects of		
Non-taxable income	**(88)**	(94)
Depreciation in excess of capital allowances	**2,778**	1,182
Other timing differences	**113**	1,139
Losses carried forward	**8,526**	-
Current tax charge	**-**	-

6 Tax on loss on ordinary activities *(continued)*

The company is not recognising a deferred tax asset of approximately £1 2 million which mainly relates to capital losses available for carry forward, all of which arose in the UK, on the basis that it is not probable that the company will have taxable capital gains available in future periods against which this asset will be utilised

7 Oil and Gas Interests

Cost	**Stg£'000**
Balance 1 January 2012	28,379
Development expenditure	17,787
Additions in year	4,233
Disposal in year	(351)
Balance at 31 December 2012	**50,048**
Depreciation	
Balance 1 January 2012	9,068
Charge for the year	1,139
Impairment in the year	20,935
Balance 31 December 2012	**31,142**
Net Book Value	
At 31 December 2012	**18,906**
At 31 December 2011	19,311

In December 2012, the company acquired an additional 20% interest in the Singleton onshore oilfield from a fellow group entity, Providence Resources UK Limited at a cost of £4 124 million On the same date, the company disposed of its interest in a number of other offshore and onshore UK licenses to Providence Resources UK Limited at cost

During the year the company incurred expenditure on the X12 well at Singleton The drilling experienced technical difficulties resulting in the suspension of the well and the impairment of the costs incurred which amounted to €20,935,000

Oil and gas interests held within the cost pool at 31 December 2012 comprise the company's 100% interest in the Singleton onshore oilfield and its 50% interest in the Baxter's Copse prospect The directors are satisfied that the net book value of the capitalised costs at year end, within the cost pool, is recoverable by reference to the projected future net revenues and that no provision for any impairment in their carrying values is necessary

8 Tangible fixed assets

	Fixtures & fittings Stg£'000	Total Stg£'000
Cost		
Balance at 1 January 2012	210	210
Additions in year	4	4
Balance at 31 December 2012	**214**	**214**
Depreciation		
Balance 1 January 2012	201	201
Charge for year	10	10
Balance at 31 December 2012	**211**	**211**
Net book value		
At 31 December 2012	**3**	**3**
At 31 December 2011	9	9

9 Stock

	2012 Stg£'000	2011 Stg£'000
Oil stock	**52**	50
Spare parts	**224**	-
Total	**276**	50

10 Debtors

	2012 Stg£'000	2011 Stg£'000
Trade debtors	**902**	828
Prepayments and accrued income	**195**	134
Other debtors	**-**	8
VAT receivable	**17**	2,971
Amounts due from group companies	**73**	49,564
Deferred tax asset (note 13)	**2,909**	-
	4,096	53,505

10 Debtors *(continued)*

All of the above amounts fall due within one year

Amounts owed by fellow group companies have no fixed repayment terms and earn no interest

11 Creditors: amounts falling due within one year

	2012	2011
	Stg£'000	Stg£'000
Bank borrowings (note 12)	**7,485**	7,021
Trade creditors	**542**	1,517
Accruals	**456**	571
Other creditors	**26**	5
Amounts owing to group companies	**232**	27,399
	8,741	36,513

Amounts owed to fellow group companies are unsecured, have no fixed repayment terms and bear no interest

12 Creditors: amounts falling due after one year

	2012	2011
	Stg£'000	Stg£'000
Bank borrowings	**18,554**	25,025

Bank borrowings are repayable as follows

	Stg£'000	Stg£'000
Within one year	**7,485**	7,021
Between one and two years	**5,480**	6,823
Between two and five years	**13,074**	13,347
After more than 5 years	**-**	4,855
	26,039	32,046

Bank borrowings are secured on the Singleton producing asset, incur interest with reference to LIBOR plus a margin of 5%, and are repayable as outlined above

13 Provision for liabilities

	Abandonment provision Stg£'000	Deferred taxation Stg£'000	Total Stg£'000
At beginning of year	530	10,936	11,466
Credit for year (note 6)	-	(13,845)	(13,845)
Unwinding of discount (note 5)	40	-	40
Increase in year	147	-	147
Reclassified to debtors	-	2,909	2,909
At end of year	**717**	-	**717**

The increase in abandonment provision arises as a result of the acquisition of the remaining 20% interest in the Singleton well from Providence Resources UK Limited during the year

14 Called up share capital

	2012 Stg£'000	2011 Stg£'000
Authorised, allotted, called up and fully paid:		
87,144,893 ordinary shares of £0.05 each	**4,357**	4,357

15 Reconciliation of movement in profit and loss account reserve

	2012 Stg£'000	2011 Stg£'000
At beginning of year	**(3,666)**	2,770
Total recognised gains and losses for the year	**(4,428)**	(6,436)
At end of year	**(8,094)**	(3,666)

16 Reconciliation of movements in shareholders' funds/(deficit)

	2012 **Stg£'000**	2011 Stg£'000
Shareholders' funds at beginning of year	**691**	7,127
Total recognised gains and losses for the year	**(4,428)**	(6,436)
Closing shareholders' (deficit)/funds	**(3,737)**	691

17 Operating leases

Annual commitments of £45,000 exist under non-cancellable operating property leases which expire between two and five years from the balance sheet date These leases will be transferred to Providence Resourcs UK Limited following the completion of the sale of the company to IGas.

18 Ultimate parent undertaking

Up to 28 February 2013, the company was a wholly owned subsidiary of P R UK Holdings Limited, a company incorporated in England and Wales The ultimate parent company was Providence Resources Plc, a company registered and operating in Ireland The smallest and largest group into which the results of the company are consolidated are those headed by Providence Resources Plc The financial statements of Providence Resources Plc are available to the public at its registered address

19 Post balance sheet events

On 28 February 2013, the company was sold to IGas Energy Plc for consideration of $66 million

20 Related party transactions

As a consequence of the consolidated financial statements of the Company's parent being publicly available, the Company is exempt from the requirement of Financial Reporting Standard No 8 'Related Party Disclosures', to disclose transactions with other group undertakings

21 Approval of financial statements

The financial statements were approved by the Directors on 11 July 2013

Island Gas (Singleton) Limited's
Annual Returns
2011

P.R. Singleton Limited

Directors' report and financial statements

Year ended 31 December 2011

Registered number 1021095

P.R. Singleton Limited

Directors' report and financial statements

Contents *Page*

P.R. Singleton Limited

Directors and other information

Directors	M Graham T O'Reilly *(appointed 30 April 2012)* J O'Sullivan *(appointed 30 April 2012)*
Secretary	M Graham
Registered office	5 Jubilee Place London SW3 3TD UK
Solicitors	Norton Rose 3 More London Riverside London SE1 2AQ UK
Auditors	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2 Ireland
Bankers	Deutsche Bank AG Winchester House 1 Great Winchester Street London EC2N 2DB UK

P.R. Singleton Limited

Directors' report

The dırectors submıt theır report, together wıth the audıted financıal statements, for the year ended 31 December 2011

Principal activities and business review

P R Sıngleton Lımıted ıs a wholly owned subsıdıary of Provıdence Resources Plc ("Provıdence"), a publıcly quoted company ıncorporated ın the Republıc of Ireland The prıncıpal actıvıty of the company ıs oıl and gas exploratıon and productıon ın the UK The dırectors antıcıpate that thıs actıvıty wıll contınue ın the foreseeable future

The prıncıpal rısks and uncertaıntıes facıng the company ınclude both general ındustry rısk and foreıgn currency rısk

General ındustry rısk

The company's busıness may be affected by general rısks assocıated wıth all companıes ın the oıl and gas ındustry These rısks (the lıst of whıch ıs not exhaustıve) ınclude general economıc actıvıty, the world oıl and gas prıces, the marketabılıty of the hydrocarbons produced, actıon taken by other oıl-producıng natıons and the extent of government regulatıon and taxatıon.

Currency rısk management

The board revıews ıts annual currency requırements by reference to bank forecasts and prevaılıng exchange rates and management ıs authorısed to achıeve best avaılable rates ın respect of forecasted currency requırements

The dırectors of the company, and of the group ın whıch the company ıs a member, have polıcıes ın place to manage these rısks

Management use two key performance ındıcators to revıew the performance of the company as follows

- Volume of oıl sold (barrels)
- Revenue derıved from the sale of oıl

The number of barrels of oıl sold ıncreased by 6 2% ın the year to 196,661 *(2010 185,151)* Oıl revenue also ıncreased to £9 8 mıllıon ın 2011 from £6 9 mıllıon ın 2010, an ıncrease of 42 63% whıch was drıven by hıgher commodıty prıces ın 2011 ($100 45 per barrel on average ın 2011 ın comparıson to $80 03 ın 2010)

No sıgnıficant envıronmental ıncıdents occurred durıng the year

Results and dividends

The profit and loss account for the year ended 31 December 2011 and the balance sheet at that date are set out on pages 10 and 11 The loss for the year amounted to Stg£6,436,000 *(2010 profit Stg£1,061,000)*

The Dırectors do not propose the payment of a dıvıdend *(2010 Stg£Nıl)*

P.R. Singleton Limited

Directors' report *(continued)*

Directors' and Secretary's shareholdings and other interests

On 30 April 2012, Philip O'Quigley resigned as a director of the company On the same day, Tony O'Reilly and John O'Sullivan were appointed as directors

The directors and secretary had no beneficial interests in the share capital of the company Their interests in the parent company are as follows

	Ordinary Shares		Share Options	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
M Graham	**5,250**	5,250	**95,269**	95,269
J O'Sullivan	**10,100**	10,100	**295,000**	295,000
T O'Reilly	**112,470**	112,470	**420,000**	420,000

There have been no contracts or arrangements during the financial year in which a director of the company was materially interested and which were significant in relation to the company's business

Post balance sheet events

There have been no significant events since the balance sheet date which could have implications for these financial statements

Political and charitable donations

No contributions were made to political organisations Donations of £5,523 were made to local charities

Disclosure of information to auditor

The directors who held office at the date of approval of the director's report confirm that, so far as they each are aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information to establish that the company's auditor is aware of the information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG, Chartered Accountants, will therefore continue in office

By order of the board,

M Graham
Director

11 June 2012

P.R. Singleton Limited

Statement of directors' responsibilities in respect of the directors' report and financial statements

The directors are responsible for preparing the Directors Report and financial statements in accordance with applicable law and regulations

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

By order of the board,

M Graham
Director

KPMG

KPMG
Chartered Accountants
1 Stokes Place
St Stephens Green
Dublin 2
Ireland

Independent auditor's report to the members of P.R. Singleton Limited

We have audited the financial statements of P R. Singleton Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out page 4, the directors are responsible for preparing the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion, the financial statements,

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

KPMG

Independent auditors' report to the members of P.R. Singleton Limited *(continued)*

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

David Meagher (Senior Statutory Auditor) 12 June 2012
For and on behalf of KPMG, Statutory Auditor
Chartered Accountants
Registered Auditor
Dublin

Statement of accounting polıces
for year ended 31 December 2011

The followıng accountıng polıcıes have been applıed consıstently ın dealıng wıth ıtems whıch are consıdered materıal to the company's financıal statements

Basis of preparation

The financıal statements have been prepared ın accordance wıth UK generally accepted accountıng practıce under the hıstorıcal cost conventıon, and comply wıth financıal reportıng standards of the Accountıng Standards Board The financıal statements are presented ın sterlıng, rounded to the nearest thousand

Turnover

Turnover ıs derıved from the company's share of oıl and gas revenues from producıng propertıes durıng the year Revenues from the sale of oıl and gas are recognısed when the product passes out of the ownershıp of the company to external customers pursuant to enforceable sales contracts

Taxation

Corporatıon tax ıs provıded on taxable profits at current rates

Deferred tax ıs recognısed ın respect of all tımıng dıfferences that have orıgınated but not reversed at the balance sheet date where transactıons or events that result ın an oblıgatıon to pay more tax ın the future or a rıght to pay less tax ın the future have occurred at the balance sheet date Tımıng dıfferences are dıfferences between the Company's taxable profits and ıts results as stated ın the financıal statements that arıse from the ınclusıon of gaıns and losses ın tax assessments ın perıods dıfferent from those ın whıch they are recognısed ın the financıal statements

Deferred tax ıs measured at the average tax rates that are expected to apply ın the perıods ın whıch the tımıng dıfferences are expected to reverse based on tax rates and laws that have been enacted or substantıvely enacted by the balance sheet date Deferred tax ıs measured on a non-dıscounted basıs

A net deferred tax asset ıs regarded as recoverable and therefore recognısed only when, on the basıs of all avaılable evıdence, ıt can be regarded as more lıkely than not that there wıll be suıtable taxable profits from whıch the future reversal of the underlyıng tımıng dıfferences can be deducted

Oil and Gas Interests

The Company accounts for oıl and gas expendıture under the 'full cost' method of accountıng

(ı) *Exploratıon, appraısal and development expendıture*

Exploratıon, appraısal and development expendıture ıs ıncurred eıther through consortıum operatıons or dırectly on acquırıng, explorıng or testıng exploratıon prospects All lease, lıcence and property acquısıtıon costs, geologıcal and geophysıcal costs and other dırect costs of exploratıon, appraısal and development are capıtalısed The amount capıtalısed ıncludes other operatıng expenses dırectly related to these actıvıtıes, ınterest expense and foreıgn exchange dıfferences ıncurred on loans prıor to the commencement of productıon

P.R. Singleton Limited

Statement of accounting polices *(continued)*
for year ended 31 December 2011

Oil and Gas Interests *(continued)*

(ii) *Cost Pools*

Costs are capitalised within separate geographic cost pools, which comprise the United Kingdom in a single pool

Costs relating to the exploration and appraisal of oil and gas interests which the Directors consider to be unevaluated are initially held outside the cost pools Costs held outside cost pools are reassessed at each year end When a decision to develop these interests has been taken, or there is evidence of impairment, the related costs are transferred to the relevant cost pools

(iii) *Depreciation*

Expenditure within each cost pool is depreciated using the unit of production method based on commercial reserves Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the anticipated future costs of development of the undeveloped reserves at current year end unescalated prices Changes in cost and reserve estimates are dealt with prospectively

(iv) *Abandonment*

Provision is made for their anticipated costs of future restoration Management estimate the future costs associated with removal of production facilities, discounted to take account of risk and the time value of money These costs have been determined with reference to current legal requirements and current technology The present value of those future costs is recorded as a Provision in the balance sheet

A corresponding abandonment asset is recorded in Oil and Gas Interests and is depreciated in accordance with the Company's depreciation policy set out at (iii) above

Annually, the unwinding of the discount factor is recorded as an expense in the profit and loss account and disclosed under 'Interest payable and similar charges'. Changes in estimates which result in a revision of the net present value of the Provision are accounted for by adjusting the Provision, with a corresponding entry to Oil and Gas Interests.

(v) *Impairment test*

An impairment test is carried out at each balance sheet date to assess whether the net book value of capitalised costs in each pool, together with the future costs of development of undeveloped reserves, is covered by the discontinued future net revenues from the reserves within that pool, calculated at prices prevailing at the year end. Any deficiency arising is provided for to the extent that, in the opinion of the directors, it is considered to represent a permanent diminution in the value of the related asset, and, where arising, is dealt with in the profit and loss account as additional depreciation

Statement of accounting polıces *(contınued)*
for year ended 31 December 2011

Stocks

Stocks comprise barrels of oil at the Sıngleton oıl field and are stated at the lower of cost and net realısable value

Derivative financial instruments

Denvatve financıal ınstruemtns are treated for as off balance sheet ıtems, and are accounted for as they mature

Foreign currency

Transactıons denomınated ın foreıgn currencıes are recorded ın the local currency at actual exchange rates at the date of the transactıon or, where appropnate, at the rates of exchange ın related forward exchange contracts. Monetary assets and lıabılıtıes denomınated ın foreıgn currencıes are translated usıng the rates of exchange prevaılıng at the balance sheet date Any gaın or loss arısıng from a change ın exchange rates subsequent to the date of the transactıon ıs ıncluded as an exchange gaın or loss ın the profit and loss account

Operating leases

Rentals under operatıng leases are charged on a straıght lıne basıs over the lease terms

Cash flow statement

The Company ıs exempt from the requırements of Fınancıal Reportıng Standard No 1 'Cash Flow Statements' to ınclude a cash flow statement as part of ıts financıal statements because ıts parent company, Provıdence Resources Plc, whıch ıs ıncorporated ın the Republıc of Ireland, has prepared consolıdated accounts whıch ınclude the results of the company for the year and whıch contaın a cash flow statement

P.R. Singleton Limited

Profit and loss account
for year ended 31 December 2011

	Note	2011 Stg£'000	2010 Stg£'000
Turnover	*1*	**9,786**	6,861
Cost of sales		**(2,772)**	(2,476)
Gross profit		**7,014**	4,385
Administration costs	*2*	**(1,157)**	(822)
Impairment of oil and gas assets	*7*	**(3,619)**	-
Operating profit	*3,4*	**2,238**	3,563
Interest payable and similar charges	*5*	**(5,994)**	(545)
(Loss)/profit on ordinary activities before tax		**(3,756)**	3,018
Tax charge on (loss)/profit on ordinary activities	*6*	**(2,680)**	(1,957)
(Loss)/profit for the financial year	*15*	**(6,436)**	1,061

There are no recognised gains or losses in the current or preceding financial periods other than those dealt with in the profit and loss account, and accordingly no statement of total recognised gains and losses is presented

M Graham
Director

P.R. Singleton Limited

Balance sheet

at 31 December 2011

	Note	2011 Stg£'000	2010 Stg£'000
Fixed Assets			
Oil and gas interests	7	**19,968**	18,330
Tangible assets	8	**9**	93
		19,977	18,423
Current assets			
Stocks	9	**50**	23
Debtors	10	**53,505**	23,647
Cash at bank and in hand		**820**	1,860
		54,375	25,530
Creditors – amounts falling due within one year	11	**(36,513)**	(20,064)
Net current assets		**17,862**	5,466
Total assets less current liabilities		**37,839**	23,889
Creditors – amounts falling due after one year	12	**(25,682)**	(8,015)
Provision for liabilities	13	**(11,466)**	(8,747)
Net assets		**691**	7,127
Capital and reserves			
Called up share capital	14	**4,357**	4,357
Profit and loss account	15	**(3,666)**	2,770
Shareholders' funds	16	**691**	7,127

M Graham
Director

P.R. Singleton Limited

Notes

forming part of the financial statements

1 Turnover

All the company's turnover in both the current and prior year was derived from sales of oil in the UK

Included in the turnover figure of £9,786,000 *(2010 £6,861,000)* is a debit of £897,000 *(2010 £634,000)* relating to the settlement of oil swaps and options during the year The company has swaps in place to hedge against commodity price risk, and at 31 December 2011 the fair value of these instruments was positive £4,698,000 *(2010 negative £3,293,000)*

2 Administration expenses

	2011 Stg£'000	2010 Stg£'000
Foreign exchange gain	**(102)**	(401)
Operating expenses	**1,259**	1,223
	1,157	822

3 Staff numbers and costs

During the year, the company employed an average of 3 staff members *(2010 3)*
The aggregate payroll costs for these persons were as follows

	2011 Stg£'000	2010 Stg£'000
Wages and salaries	**130**	160
Social welfare costs	**4**	17
	134	177

4 Statutory and other information

	2011 Stg£'000	2010 Stg£'000
Auditors' remuneration	**15**	15
Directors' remuneration	**-**	-
Depreciation and depletion	**1,158**	942
Operating lease charges	**38**	89

The audit fee is borne by the parent company

5 Interest payable and similar charges

	2011 Stg£'000	2010 Stg£'000
On bank loans and overdrafts	**5,955**	511
Unwinding of discount on decommissioning provision	**39**	34
	5,994	545

6 Tax on (loss)/profit on ordinary activities

	2011 Stg£'000	2010 Stg£'000
Corporation tax charge	-	47
Deferred tax		
Origination and reversal of timing differences	**966**	1,910
Effect of change in tax rates	**1,714**	-
Tax charge on profit on ordinary activities (note 13)	**2,680**	1,957

The following are the factors affecting the current year tax charge

	2011 Stg£'000	2010 Stg£'000
(Loss)/profit on ordinary activities before taxation	**(3,756)**	3,018
Tax at applicable rate of 59 3% (2010 50%)	**(2,227)**	1,509
Effects of:		
Expenses not deductible for tax purposes	**(94)**	18
Capital allowances in excess of depreciation	**1,182**	(2,609)
Other timing differences	**1,139**	1,082
Underprovision in respect of prior periods	-	47
Current tax charge	-	47

7 Oil and Gas Interests

Cost	**Stg£'000**
Balance 1 January 2011	22,707
Development expenditure	6,329
Balance at 31 December 2011	**29,036**
Depreciation	
Balance 1 January 2011	4,377
Charge for the year	1,072
Impairment in the year	3,619
Balance 31 December 2011	**9,068**
Net Book Value	
At 31 December 2011	**19,968**
At 31 December 2010	18,330

Oil and gas interests held within the cost pool comprise the company's 79 125% interest in the Singleton onshore oilfield The directors are satisfied that the net book value of the capitalised costs at year end, within the cost pool, is recoverable by reference to the projected future net revenues and that no provision for any impairment in their carrying values is necessary

8 Tangible fixed assets

Cost	**Stg£'000**	**Stg£'000**
Balance at 1 January 2011	208	208
Additions in year	2	2
Balance at 31 December 2011	**210**	**210**
Depreciation		
Balance at 1 January 2011	115	115
Charge for the year	86	86
Balance at 31 December 2011	**201**	**201**
Net Book Value		
At 31 December 2011	**9**	**9**
At 31 December 2010	93	93

9 Stock

	2011	2010
	Stg£'000	Stg£'000
Oil stock	**50**	23

10 Debtors

	2011	2010
	€'000	€'000
Trade debtors	**828**	592
Prepayments and accrued income	**134**	80
Other debtors	**8**	51
VAT receivable	**2,971**	309
Amounts due from group companies	**49,564**	22,615
	53,505	23,647

All of the above amounts fall due within one year

Amounts owed by fellow group companies have no fixed repayment terms and earn no interest

11 **Creditors:** amounts falling due within one year

	2011	2010
	Stg£'000	Stg£'000
Bank borrowings (Note 12)	**7,021**	797
Trade creditors	**1,517**	1,665
Accruals and deferred income	**571**	1,229
Other creditors	**5**	126
Amounts owed to group companies	**27,399**	16,247
	36,513	20,064

Amounts owed to fellow group companies are unsecured, have no fixed repayment terms and bear no interest

12 Creditors: amounts fallıng due after one year

	2011 Stg£'000	2010 Stg£'000
Bank borrowıngs	**25,682**	8,015

Bank borrowıngs are repayable as follows

	2011 €'000	2010 €'000
Wıthın one year	**7,021**	797
Between one and two years	**6,823**	5,047
Between two and five years	**13,347**	2,968
After more than 5 years	**5,512**	-
	32,703	8,812

Bank borrowıngs are secured on the Sıngleton producıng asset, ıncur ınterest wıth reference to LIBOR plus a margın of 5%, and are repayable as outlıned above

13 Provısıon for liabilities

	Abandonment provision Stg'000	Deferred taxation Stg£'000	Total Stg£'000
At begınnıng of the year	491	8,256	**8,747**
Charge for year (Note 6)	-	2,680	**2,680**
Unwındıng of dıscount (Note 5)	39	-	**39**
At end of year	530	10,936	**11,466**

Deferred tax arıses prımarıly on capıtal allowances ın excess of deprecıatıon

14 Called up share capital

	2011 Stg£'000	2010 Stg£'000
Authorised, allotted, called up and fully paid		
87,144,893 ordınary shares of £0 05 each	**4,357**	4,357

P.R. Singleton Limited

Notes *(continued)*

15 Reconciliation of movement in profit and loss account reserves

	2011 Stg£'000	2010 Stg£'000
At beginning of year	**2,770**	1,709
Total recognised gains and losses for the year	**(6,436)**	1,061
At end of year	**(3,666)**	2,770

16 Reconciliation of movements in shareholders' funds

	2011 Stg£'000	2010 Stg£'000
Shareholders' funds at beginning of year	**7,127**	6,066
Total recognised gains and losses for the year	**(6,436)**	1,061
Closing shareholder's funds	**691**	7,127

17 Operating leases

Annual commitments exist under non-cancellable operating property leases expiring as follows

Expiring as follows	Rental Stg£'000	**Total Stg£'000**
Within one year	-	-
Between two and five years	45	**45**
After more than five years	-	-
Total	45	**45**

18 Ultimate parent undertaking

The company is a wholly owned subsidiary of P R UK Holdings Limited, a company incorporated in England and Wales The ultimate parent company is Providence Resources Plc, a company registered and operating in Ireland The smallest and largest group into which the results of the company are consolidated are these headed by Providence Resources Plc The financial statements of Providence Resources Plc are available to the public at its registered address

19 Related party transactions

As a consequence of the consolidated financial statements of the Company's parent being publicly available, the Company is exempt from the requirement of Financial Reporting Standard No 8 'Related Party Disclosures', to disclose transactions with other group undertakings

20 Approval of financial statements

The financial statements were approved by the Directors on 11 June 2012

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