

# **UK Oil & Gas Investments PLC**

## **Annual Report and Accounts For the year ended 30 September 2014**

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**CHAIRMAN'S STATEMENT**  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

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I am pleased to present the annual report and accounts for the year ended 30 September 2014.

This has been a period of considerable change for the Company, with the Company's shares re-commencing trading on AIM on 26 November 2013 after suspension due to the previous financial uncertainty surrounding the Company and its subsidiary having been put into administration.

After significant work from the directors and its advisors, the Company has re-emerged as UK Oil & Gas Investments PLC ("UKOG") with a specific focus on acquiring interests in "conventional" UK oil and gas assets and having now established the Company with a long term production portfolio of UK onshore assets and a portfolio of exploration assets.

Since the Company re-commenced trading on AIM, the Board has raised approximately £6 million, through a series of equity placements to strengthen the Company's balance sheet and provide funds to be invested in line with the Company's investing policy. As at today's date, and as we embark on our next phase of development we are in the strongest financial position in the Company's recent history with cash, receivables and investments of approximately £5 million. In addition, following the reporting period, UKOG entered into a US\$10 million debt facility to provide additional funding for further investment.

The Company has acquired three investments during the year, which we believe will enhance future shareholder value. The Board also announced on 19 September 2014 that the Company had substantially implemented its investing policy in accordance with the AIM Rules for Companies.

Through the acquisition of three UK subsidiaries of Northern Petroleum Plc, the Company now has interests in UK oil production with proven oil reserves and is a UK onshore operator in its own right. In due course the Company intends to undertake operating activities, such as seismic acquisition and drilling, as and when the required UK regulatory approvals and planning permissions are in place.

## **UKOG's UK PORTFOLIO**

### **Northern Petroleum UK**

- UKOG acquired three UK subsidiaries of Northern Petroleum Plc ("NOP"); the acquisition was completed after the reporting period on 17 October 2014.
- The three NOP companies have been re-named UKOG (GB) Limited, UKOG Weald Limited and UKOG Solent Limited.
- Five UK licences were acquired from NOP, four onshore and one offshore, all located in the South of England.
- The assets include the Horndean and Avington onshore producing oil fields, an offshore Isle of Wight exploration licence and the Baxters Copse and Markwells Wood onshore oil discoveries.
- After the reporting period, UKOG jointly applied for a 200 km<sup>2</sup> onshore licence, adjacent to the offshore Isle of Wight licence, including an exploration well, as part of the UK's 14<sup>th</sup> Landward Licence Round ("14<sup>th</sup> Round").

### **Horse Hill Developments Limited ("HHDL")**

- UKOG acquired a 20% direct interest in HHDL, which owns 65% of the Horse Hill licence.
- HHDL spudded the Horse Hill-1 ("HH-1") well, located about 3 miles from Gatwick Airport, in early September 2014.
- Preliminary HH-1 well results were announced after the reporting period, on 24 October 2014 and 5 November 2014; an oil discovery was made in the Upper Portland Sandstone, with oil shows in the underlying Kimmeridge Clay limestones.

## **CHAIRMAN'S STATEMENT (CONTINUED)**

### **Angus Energy**

- UKOG also acquired a 6% share of Angus Energy Limited ("Angus Energy"), which operates and produces oil from both the Lidsey and Brockham oil fields in the UK Weald Basin, south of London.
- Angus Energy is the nominated operator and 40% owner of HHDL.
- In addition, Angus Energy is planning a side-track on Brockham and a new well at Lidsey.

### **ADVISORY CONTRACT AND SUPPORT**

UKOG has executed a contract with Matt Cartwright and Stephen Sanderson for commercial, technical and exploration support.

Matt Cartwright and Steve Sanderson are working with UKOG, as Business Advisor and Exploration Advisor, respectively. They both have considerable relevant experience and have provided extremely valuable support to UKOG in the NOP acquisition, follow-up to the HH-1 well and in UKOG's 14<sup>th</sup> Round onshore Isle of Wight application.

### **QUALIFIED PERSON'S STATEMENT**

The information contained in this Annual Report has been reviewed and approved by Matt Cartwright, Business Advisor to UK Oil & Gas Investments PLC. Mr. Cartwright has over 31 years of relevant experience in the oil industry. He is a UK Chartered Engineer and a member of the Society of Petroleum Engineers.

### **NEXT PERIOD**

In the next financial year the Directors expect to see a number of developments:

- In conjunction with HHDL, a well flow test is planned for the HH-1 Upper Portland discovery; further evaluation of the HH-1 well results will continue.
- An appraisal well is planned on the Baxters Copse discovery (IGas 50% Operator and UKOG 50%).
- UKOG will review the potential to appraise and develop the Markwells Wood oil discovery (UKOG 50% and operator).
- UKOG has applied for additional onshore acreage in the Isle of Wight (UKOG 65%).
- New production wells are being planned on two of Angus Energy's producing licences (Lidsey and Brockham).
- UKOG plans to increase its technical and operating team in line with its growing number of assets and level of investments (both operated and non-operated).

Your Board of Directors will continue to seek out further investments in the UK "conventional" oil and gas space and working closely with Angus Energy on their production and exploration acreage.

We will also continue to seek out further investments in line with the Company's investment strategy.

### **INVESTMENTS REVIEW**

#### **NOP's UK Assets**

On 24 July 2014, UKOG announced that it had conditionally agreed to acquire for £1.5 million three UK subsidiaries of NOP:

- Northern Petroleum (GB) Limited, for a base consideration of £1,311,999
- NP Weald Limited, for a base consideration of £188,000
- NP Solent Limited, for a base consideration of £1.

## CHAIRMAN'S STATEMENT (CONTINUED)

The acquisition was completed after the reporting period, on 17 October 2014. The three companies have now been re-named UKOG (GB) Limited, UKOG Weald Limited and UKOG Solent Limited.

Five UK licences have been acquired from NOP, four onshore and one offshore, all located in the South of England. These licences include the following UKOG assets:

- The Horndean (UKOG 10%) and Avington (UKOG 5%) onshore producing oil fields, producing around 20 barrels of oil per day ("bopd") net to UKOG; both fields are operated by IGas Energy plc ("IGas").
- Offshore Isle of Wight exploration licence, P 1916 (UKOG 65% and operator), containing the significant, drill-ready M prospect, with a primary target in the Triassic Sherwood Sandstone.
- The Baxters Copse (UKOG 50%, IGas operator) and Markwells Wood (UK 50% and operator) onshore oil discoveries.

After the reporting period, as announced by UKOG on 29 October 2014, UKOG jointly applied for a 200 km<sup>2</sup> onshore licence, adjacent to the offshore Isle of Wight licence, as part of the 14<sup>th</sup> Round along with Angus Energy (operator) and Solo Oil plc, to target the same M prospect identified in licence P 1916 from an onshore location.

Also after the reporting period, as announced by UKOG on 11 November 2014, UKOG has published an updated corporate presentation, providing details of the NOP acquisition.

This presentation also published with IGas' consent, the latest independent reserves estimates for Horndean, Avington and Baxters Copse, as reproduced below in Tables 1, 2 and 3.

**Table 1: Estimated Horndean Reserves (Source: Senergy CPR July 2014, Section 2.4.7, p19)**

mmbbl (at 1 January 2014)	Gross			Net Attributable (10%)			Operator
	1P	2P	3P	1P	2P	3P	
Oil Reserves	0.717	0.856	1.143	0.0717	0.0856	0.1143	IGas

*Note: In accordance with Appendix 3 of the AIM Note for Mining and Oil and Gas Companies June 2009 the Company has calculated its net attributable interest which are those reserves attributable to the Company based on its 10% interest in the Horndean licence*

**Table 2: Estimated Avington Reserves (Source: Senergy CPR July 2014, Section 2.4.2, p16)**

mmbbl (at 1 January 2014)	Gross			Net Attributable (5%)			Operator
	1P	2P	3P	1P	2P	3P	
Oil Reserves	0.040	0.063	0.125	0.0020	0.00315	0.00625	IGas

*Note: In accordance with Appendix 3 of the AIM Note for Mining and Oil and Gas Companies June 2009 the Company has calculated its net attributable interest which are those reserves attributable to the Company based on its 5% interest in the Avington licence*

**Table 3: Estimated Baxters Copse Contingent Resources (Source: Senergy CPR July 2014, Section 2.4.3, p17)**

mmbbl (at 1 January 2014)	Gross			Net Attributable (50%)			Operator
	1C	2C	3C	1C	2C	3C	
Contingent Resources	3.114	4.671	6.228	1.557	2.336	3.114	IGas

*Note: In accordance with Appendix 3 of the AIM Note for Mining and Oil and Gas Companies June 2009 the Company has calculated its net attributable interest which are those Contingent Resources attributable to the Company based on its 50% interest in the Baxters Copse licence*

## CHAIRMAN'S STATEMENT (CONTINUED)

### Horse Hill Developments Limited

UKOG acquired a 20% direct interest in HHDL, which owns 65% of the Horse Hill licence. HHDL operates the Horse Hill licence (PEDL 137). This interest was acquired via two transactions: an initial investment of £450,000 in December 2013 for a 7.5% interest and a further £750,000 in August 2014 for a further 12.5% interest.

HHDL spudded the Horse Hill-1 ("HH-1") well, located about 3 miles from Gatwick Airport in early September 2014. Preliminary HH-1 well results were announced after the reporting period, on 24 October 2014 and 5 November 2014. The well reached a measured depth of 8,770 feet, in rocks of pre-Triassic Palaeozoic age. An oil discovery was made in the Upper Portland Sandstone, with oil shows in the underlying Kimmeridge Clay limestones.

Low, medium and high estimates of Portland oil in place, as announced on 24 October 2014, are summarised in Table 4 below.

**Table 4: Estimated Gross In Place Discovered and Undiscovered Oil Volumes**

mmbbl, In place Oil	Low (P90)	Medium (P50)	High (P10)
Discovered	1.5	3.1	4.8
Undiscovered	7.8	16.8	29.7

**Notes:**

- 1. The gross in place hydrocarbon volumes have been prepared by Stephen Sanderson acting as the competent person on behalf of HHDL.*
- 2. Volumes have been prepared using the methodologies and standards published by the Society of Petroleum Engineers.*
- 3. The gross in place hydrocarbon volumes presented should not be considered as either contingent resources or reserves.*
- 4. In place oil is the quantity of oil or petroleum that is estimated to exist originally in naturally occurring accumulations before any extraction or production*

A flow test of the Upper Portland discovery is now planned. UKOG will also review options for an appraisal well to further delineate the discovery.

### Angus Energy

As announced on 3 February 2014, UKOG has acquired a 6% share of Angus Energy, which operates and produces oil from both the Lidsey (PL 241, Angus Energy 70%) and Brockham (PL 235, Angus Energy 60%) oil fields in the UK Weald Basin, south of London. Angus Energy is planning a side-track on Brockham and a new well at Lidsey. Both of these oil fields currently produce from a single well. Angus Energy is also the nominated operator and 40% owner of HHDL.

On 13 March 2014, UKOG announced the conclusions of the independent reserves and resources reports ("CPRs") prepared by RPS Energy Consultants Limited ("RPS") for both the Lidsey and Brockham Fields in the Weald Basin, a copy of which is available from the Company's website at [www.ukogplc.com](http://www.ukogplc.com). Since RPS's evaluation, Angus Energy has reduced its interest in Brockham (PL 235) by a further 20% and now has a net interest of 60%.

The reserves in the Brockham field, as of 31 December 2013, estimated by RPS, and which were announced in 13 March 2014 are set out in Table 5 below (and have been adjusted for Angus Energy's subsequent reduction of its interest from 80% to 60%).

## CHAIRMAN'S STATEMENT (CONTINUED)

**Table 5: Brockham Field Reserves, as of 31 December 2013 (Source: RPS CPR March 2014, Table 2, page 2)**

Field	Reserves (mbbl)					
	Gross Field			Angus Working Interest <sup>1</sup>		
	1P <sup>2</sup>	2P	3P	1P <sup>2</sup>	2P	3P
<b>Brockham</b> <sup>1</sup>	17.9	47.0	101.5	10.7	28.2	60.9
1. The Brockham field is in PL 235. Angus Energy's interest in PL 235 is 60%. 2. The 1P case has been truncated to the anticipated PL 235 expiry, as published by DECC of 27 October 2017.						

The reserves in the Lidsey field, as of 31 December 2013, estimated by RPS, are summarised in Table 6.

**Table 6: Lidsey Field Reserves, as of 31 December 2013 (Source: RPS CPR March 2014, Table 2, page 2)**

Field	Reserves (mbbl)					
	Gross Field			Net Angus Working Interest		
	1P 2	2P	3P	1P 2	2P	3P
<b>Lidsey</b> <sup>1</sup>	12.7	36.0	54.7	8.9	25.2	38.3
1. The Lidsey field is in PL 241. Angus Energy's working interest in PL 241 is 70%. 2. The 1P case has been truncated to the anticipated licence expiry as published by DECC of 1 December 2017.						

The Contingent Resources in the Lidsey field, as of 31 December 2013, estimated by RPS, are summarised in Table 7.

**Table 7: Lidsey Field Contingent Resources, as of 31 December 2013 ((Source: RPS CPR March 2014, Table 3, page 2)**

Field	Contingent Resources (mbbl) 1					
	Gross Field			Net Angus Working Interest		
	1C	2C	3C	1C	2C	3C
<b>Lidsey</b> <sup>2</sup>	195.9	413.6	620.3	137.1	289.5	434.2
1. No economic cut-off applied; nominal production cut-off of 6 bopd or 1 January 2033 (whichever earlier) applied, with an assumed start date of 1 January 2016. 2. The Lidsey field is in PL 241. Angus Energy's working interest in PL 241 is 70%.						

## BACKGROUND EVENTS

***During the financial year, the Company announced the following in relation to the legacy Sarantel business:***

On 4 October 2013, that the Company had been informed by PricewaterhouseCoopers LLP ("PWC") that on 2 October 2013 PWC entered into a sale agreement for the sale of Sarantel Limited's business and assets for an undisclosed sum (the "Sale"). The Sale had resulted in the disposal of the Company's entire Operating Business and, as such, constituted a fundamental change of business of the Company under Rule 15 of the AIM Rules, resulting in the Company becoming an Investing Company under the AIM Rules. The Board had been further informed that PWC did not expect to realise any further amounts from the assets in Sarantel Limited and did not expect therefore that the Company would receive any payment from the Sale.

The Directors were accordingly considering the impact of the Sale on the financial position of the Company (which was not itself currently in administration) and the potential options, if any, for securing funding for the Company, which currently had net liabilities. The suspension from trading on AIM in the Company's Ordinary Shares would continue until such time as the Company's financial position could be clarified.

On 8 November 2013, that the Board had posted a circular to Shareholders (the "Circular") setting out details of a proposed £150,000 refinancing of the Company, a capital re-organisation and proposed adoption of an Investing Policy (the "Proposals").

## **CHAIRMAN'S STATEMENT (CONTINUED)**

On 25 November 2013 a General Meeting was held which duly passed all resolutions. As a result, the Company completed the capital re-organisation and now operates in line with the investing policy proposed in the Circular to focus on potential investments in the natural resources sector as outlined below.

The Company's Investing Policy is to invest in and/or acquire companies and/or projects within the natural resources sector with potential for growth. The Company will also consider opportunities in other sectors as they arise if the Board considers there is an opportunity to generate potential value for Shareholders. The geographical focus will primarily be in regions in the world that the Board considers valuable opportunities exist and potential returns can be achieved.

As an investing company, the Company was required to make an acquisition which constitutes a reverse takeover under the AIM Rules or otherwise implement its investing policy within 12 months of 4 October 2013, the date on which PWC entered into a sale agreement for the sale of Sarantel Limited's business and assets. The Company has acquired three exciting investments during the year, which we believe will enhance future shareholder value. The Board announced on 19 September 2014 that it had substantially implemented its investing policy in accordance with the AIM Rules for Companies.

Trading in the Ordinary Shares on AIM had been suspended since 29 May 2013 pending clarification of the financial position of the Company, and re-commenced on 26 November 2013.

On 25 November 2013, the Company announced that Oliver Leisten, Philip David, Nicola Malyon and Geoff Shingles would resign from office and Messrs David Lenigas and Donald Strang were to be appointed to the Board. David Wither stepped down from Board on 30 June 2014. The new Board now consists of: David Lenigas as Executive chairman, and Donald Strang and Jason Berry as executive directors.

On 5 December 2013, that the Company's name was changed from Sarantel Group Plc to UK Oil & Gas Investments PLC. The TIDM (ticker symbol) was changed to UKOG for the Company's Ordinary Shares.

On 18 December 2013, that the Board announced that the Company had now been formally released from the potential £2m liability to HSBC under a cross guarantee at no cost to the Company. This liability existed from when the Company's main historic business was the manufacturing of specialty antennas.

## **RESULTS FOR THE PERIOD**

Retained loss for the year to 30 September 2014 amounted to £907,000 (2013: £2,479,000 loss).

## **OUTLOOK**

The Board considers that the current Investing Policy is in the best interests of the Company and its Shareholders as a whole. The Board announced on 19 September 2014 that it had substantially implemented its investing policy in accordance with the AIM Rules for Companies.

The Board acknowledges this exciting period for the Company as it continues to maximise value from its existing investments and further continues to evaluate and seek additional investments as opportunities arise.

The Board would like to take this opportunity to thank our shareholders for their continued support and I look forward to reporting further progress over the next period and beyond.

**David Lenigas**  
**Chairman**  
17 November 2014

## CHAIRMAN'S STATEMENT (CONTINUED)

### GLOSSARY OF TERMS

<b>Term</b>	<b>Meaning</b>
2D seismic	Seismic data collected using the two-dimensional common depth point method
1P Reserves	Equivalent to Proved Reserves: denotes the low estimate scenario of Reserves
2P Reserves	Equivalent to the sum of Proved plus Probable Reserves: denotes the best estimate scenario of Reserves
3P Reserves	Equivalent to the sum of Proved plus Probable plus Possible Reserves: denotes the high estimate scenario of Reserves
1C Resources	Denotes the low estimate scenario of Contingent Resources
2C Resources	Denotes the best estimate scenario of Contingent Resources
3C Resources	Denotes the high estimate scenario of Contingent Resources
API	American Petroleum Institute; API gravity, usually expressed as ° API, is a measure of how heavy or light a petroleum liquid is compared to water
bopd	Barrels of oil per day
Contingent Resources	Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.
Lead	A potential accumulation that is not yet sufficiently well defined to represent a viable drilling target
mbbl	Thousands of barrels of oil
mmbbl	Millions of barrels of oil
Oil In Place	The quantity of oil or petroleum that is estimated to exist originally in naturally occurring accumulations before any extraction or production
Proved	Proved Reserves (1P, P90) are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
Proved plus Probable	Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P, P50). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Proved plus Probable plus Possible	Possible Reserves are those additional reserves which analysis of geo-science and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P, P10) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

## **CHAIRMAN'S STATEMENT (CONTINUED)**

### **GLOSSARY OF TERMS (CONTINUED)**

Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
Side-track	Re-entry of a well from the well's surface location with drilling equipment for the purpose of deviating from the existing well bore to achieve production or well data from an alternative zone or bottom hole location, or to remedy an engineering problem encountered in the existing well bore.

**DIRECTORS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

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**David Lenigas, Executive Chairman**

David Lenigas has extensive experience operating in global public markets having served in a senior executive capacity on many public company boards. He is currently the Executive Chairman of Rare Earth Minerals Plc, and AfriAg Plc, and a director on various other AIM listed companies. He has a Bachelor of Applied Science (Mining Engineering) from Curtin University's Kalgoorlie School of Mines. Mr. Lenigas has extensive operational and corporate experience in managing companies within the oil and gas, gold, coal and other natural resources sectors. Mr. Lenigas is a member of both the Audit and Remuneration committee.

**Donald Strang, Executive Director**

Mr. Strang is a member of the Australian Institute of Chartered Accountants and has been in business over 20 years, holding senior financial and management positions in both publicly listed and private enterprises in Australia, Europe and Africa. Mr. Strang has considerable corporate and international expertise and over the past decade has focused on mining and exploration activities in the oil and gas and natural resources sectors. He is currently finance director for AfriAg Plc, Rare Earth Minerals Plc, and Solo Oil Plc and involved with various other AIM listed companies.

**Jason Berry, Executive Director**

Mr Berry holds a BA (Honours) in European Business Studies. He has extensive experience operating in global public markets having spent approximately 20 years working in the financial services sector in London.

## REPORT OF THE DIRECTORS

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The Directors submit their report and the audited financial statements of UK Oil & Gas Investments PLC for the year ended 30 September 2014.

### **Principal Activity and Business Review**

The principal activity of the Company is that of an investment holding company to acquire a diverse portfolio of direct and indirect interests in exploration, development and production oil and gas assets which are based in the UK.

### **Results and Dividends**

The Company's financial results are set out on pages 15 to 33. The Directors do not recommend the payment of a dividend (2013: £nil). The Company has no plans to adopt a dividend policy in the immediate future.

### **Principal Risks and Uncertainties**

The principal risks and uncertainties facing the Company involve the ability to secure funding in order to finance the acquisition and exploitation of mining opportunities and the exposure to fluctuating commodity prices.

In addition, the amount and quality of minerals available and the related costs of extraction and production represent a significant risk to the Company.

### **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments are available for sale assets, derivative financial assets, trade receivables, trade payables and cash at bank. The main purpose of these financial instruments is to fund the Company's operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Company's financial instruments is liquidity risk. The Board reviews and agrees policies for managing this risk and this is summarised below.

### **Liquidity Risk**

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and its cash resources. Further details of this are provided in the principal accounting policies, headed 'going concern'.

### **Key Performance Indicators**

Due to the current status of the Company, the Board has not identified any performance indicators as key.

### **Future Developments**

Future developments are outlined in the Chairman's Statement.

### **Going Concern**

The Directors have prepared cash flow forecasts and budgets that show that, for a period of at least twelve months from the date of signing these Financial Statements, the Company expects to have sufficient resources to continue its business. Accordingly, the Directors believe that it is appropriate to prepare the Financial Statements on a going concern basis.

### **Events After the Reporting Period**

Events After the Reporting Period are outlined in Note 15 to the Financial Statements.

## REPORT OF THE DIRECTORS (CONTINUED)

### Corporate Governance

Audit and Remuneration Committees have been established and in each case comprise all three Directors, with Donald Strang as Chairman.

The role of the Remuneration Committee is to review the performance of the executive Directors and to set the scale and structure of their remuneration, including bonus arrangements. The Remuneration Committee also administers and establishes performance targets for the Group's employee share schemes and executive incentive schemes for key management. In exercising this role, the terms of reference of the Remuneration Committee require it to comply with the Code of Best Practice published in the Combined Code.

The Audit Committee is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, and receives and reviews reports from management and the Company's auditors on the internal control systems in use throughout the Group and its accounting policies.

### Suppliers' Payment Policy

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and to pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Group does not have a standard or code dealing specifically with the payment of suppliers.

Trade payables at the year end all relate to sundry administrative overheads and disclosure of the number of days purchases represented by year end payables is therefore not meaningful.

### Charitable Contributions

During the year the Group made charitable donations amounting to £Nil (2013 - £Nil).

### Substantial Shareholdings

As at 30 September 2014, the Company had been notified of the following substantial shareholdings in the ordinary share capital:

	Number of Ordinary Shares	Holding %
Forest Nominees Ltd	129,000,000	9.1
Euroclear Nominees Ltd	99,583,334	7.0
Redmayne (Nominees) Ltd	92,910,000	6.5
David Lenigas	73,333,334	5.2
Donald Strang	73,333,334	5.2
Barclayshare Nominees Ltd	68,752,097	4.8
TD Direct Investing Nominees (Europe) Ltd	59,874,300	4.2
Redmayne (Nominees) Ltd	53,291,670	3.7
Ferlim Nominees Ltd	52,836,109	3.7
Jim Nominees Ltd	50,699,901	3.6
Hargreaves Lansdown (Nominees) Ltd	45,378,563	3.2

## REPORT OF THE DIRECTORS (CONTINUED)

### Directors

The Directors who held office during the year and up to the date of this report are given below:

#### **Current Board**

David Lenigas (Executive Chairman) (appointed 26 November 2013)

Donald Strang (Executive Director) (appointed 26 November 2013)

Jason Berry (Executive Director) (appointed 22 August 2014)

#### **Previous Directors**

David Wither (resigned 30 June 2014)

Geoff Shingles (resigned 26 November 2013)

Oliver Leisten (resigned 26 November 2013)

Nicola Malyon (resigned 26 November 2013)

Philip David (resigned 26 November 2013)

### Directors' Shareholdings

The Directors' shareholdings in the Company as at the date of this report are as follows:

	Number of Ordinary Shares	Holding %
David Lenigas	73,333,334	5.2
Donald Strang	73,333,334	5.2
Jason Berry	Nil	Nil

### Auditor

A resolution to reappoint Chapman Davis LLP as auditor will be proposed at the forthcoming Annual General Meeting ("AGM").

### Annual General Meeting

Notice of the forthcoming Annual General Meeting will be enclosed separately.

## **REPORT OF THE DIRECTORS (CONTINUED)**

### **Statement of Directors' Responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. The Directors have prepared the Company accounts in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing 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, 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 are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. The Company's website is maintained in accordance with AIM Rule 26.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Statement as to Disclosure of Information to the Auditor**

As at the date of this report the serving directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors' in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

ON BEHALF OF THE BOARD

David Lenigas  
Director  
17 November 2014

## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF UK OIL & GAS INVESTMENTS PLC

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We have audited the financial statements of UK Oil & Gas Investments PLC for the year ended 30 September 2014, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cashflow, the Statement of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU ("adopted IFRS").

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 13 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**

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](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on the Financial Statements**

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 30 September 2014 and of its loss for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; 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.

Keith Fulton  
Senior Statutory Auditor  
for and on behalf of Chapman Davis LLP  
Statutory Auditor, Chartered Accountants  
London  
17 November 2014

## FINANCIAL STATEMENTS

### STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 SEPTEMBER 2014

	Note	2014 £'000	2013 £'000
<b>Turnover</b>	<b>2</b>	<b>7</b>	-
Cost of sales		-	-
<b>Gross profit</b>		<b>7</b>	-
Administration costs		(545)	(249)
Share based payment		(351)	-
<b>Total operating costs</b>		<b>(896)</b>	<b>(249)</b>
<b>Loss from operations</b>	<b>3</b>	<b>(889)</b>	<b>(249)</b>
Losses on disposal of subsidiary	<b>7</b>	-	(2,230)
Losses on settlements of derivative financial instrument	<b>11</b>	(18)	-
<b>Loss before taxation</b>		<b>(907)</b>	<b>(2,479)</b>
Taxation	<b>5</b>	-	-
<b>Retained loss for the financial year</b>		<b>(907)</b>	<b>(2,479)</b>
<b>Other comprehensive income</b>			
Gain on revaluation of derivative financial instrument		44	-
<b>Other comprehensive income for the year net of taxation</b>		<b>44</b>	-
<b>Total comprehensive income for the period attributable to equity holders of the parent</b>		<b>(863)</b>	<b>(2,479)</b>
<b>Loss per ordinary share</b>			
Basic and diluted loss per share (pence)	<b>6</b>	(0.11)	(0.26)

The accompanying accounting policies and notes form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2014**

	Note	2014 £'000	2013 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	7	-	-
Available for sale investments	8	1,568	-
<b>Total non-current assets</b>		<b>1,568</b>	<b>-</b>
<b>Current assets</b>			
Trade and other receivables	9	1,414	-
Derivative financial instrument	11	184	-
Cash and cash equivalents		982	-
<b>Total current assets</b>		<b>2,580</b>	<b>-</b>
<b>Total assets</b>		<b>4,148</b>	<b>-</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	(496)	(121)
<b>Total liabilities</b>		<b>(496)</b>	<b>(121)</b>
<b>Net assets/(liabilities)</b>		<b>3,652</b>	<b>(121)</b>
<b>Equity</b>			
Share capital	12	11,726	11,595
Share premium		23,192	19,039
Share based payment reserve		351	866
Warrant reserve		-	-
Revaluation reserve		44	-
Retained earnings		(31,661)	(31,621)
<b>Total equity</b>		<b>3,652</b>	<b>(121)</b>

These financial statements were approved by the Board of Directors on 17 November 2014 and are signed on its behalf by:

David Lenigas  
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2014**

	Share capital	Share premium	Warrant reserve	Share based payment reserve	Revaluation reserve	Retained earnings	Total attributable to owners of parent
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 30 September 2012</b>	<b>11,318</b>	<b>18,969</b>	<b>76</b>	<b>848</b>	-	<b>(29,142)</b>	<b>2,069</b>
Loss for the year	-	-	-	-	-	(2,479)	(2,479)
Other comprehensive income:							
Transfer to income statement	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(2,479)	(2,479)
Shares issued	277	-	-	-	-	-	277
Share issue costs	-	(6)	-	-	-	-	(6)
Warrants cancelled	-	76	(76)	-	-	-	-
Share based payments	-	-	-	18	-	-	18
Total contributions by and distributions to owners of the Company	277	70	(76)	18	-	-	289
<b>Balance at 30 September 2013</b>	<b>11,595</b>	<b>19,039</b>	-	<b>866</b>	-	<b>(31,621)</b>	<b>(121)</b>
Loss for the year	-	-	-	-	-	(907)	(907)
Other comprehensive income:							
Gain on revaluation of derivative financial instrument	-	-	-	-	44	-	44
Total comprehensive income for the year	-	-	-	-	44	(907)	863
Shares issued	131	4,365	-	-	-	-	4,496
Share issue costs	-	(212)	-	-	-	-	(212)
Share options lapsed	-	-	-	(866)	-	866	-
Share based payments	-	-	-	351	-	-	351
Total contributions by and distributions to owners of the Company	131	4,153	-	(515)	-	866	4,635
<b>Balance at 30 September 2014</b>	<b>11,726</b>	<b>23,192</b>	-	<b>351</b>	<b>44</b>	<b>(31,661)</b>	<b>3,652</b>

**STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 30 SEPTEMBER 2014**

	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
<b>Cash flow from operating activities</b>		
Loss from operations	(889)	(2,479)
Losses on disposal of subsidiary	-	2,230
Share based payment charge	351	-
(Increase) in trade and other receivables	(1,044)	-
Increase in trade and other payables	375	114
<b>Net cash (outflow) from operating activities</b>	<b>(1,207)</b>	<b>(135)</b>
<b>Cash flows from investing activities</b>		
Payments to acquire available for sale investments	(1,200)	-
Loans advanced to investee companies	(370)	-
Loan advanced to subsidiary	-	(136)
<b>Net cash (outflow) from investing activities</b>	<b>(1,570)</b>	<b>(136)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	4,129	277
Share issue costs	(212)	(6)
Payments to acquire derivative financial instrument	(250)	-
Receipts from settlements of financial instrument	92	-
<b>Net cash inflow from financing activities</b>	<b>3,759</b>	<b>271</b>
<b>Net change in cash and cash equivalents</b>	<b>982</b>	<b>-</b>
Cash and cash equivalents at beginning of period	-	-
<b>Cash and cash equivalents at end of period</b>	<b>982</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal Accounting Policies

#### **Basis of Preparation**

UK Oil and Gas Investments PLC is a company incorporated in the United Kingdom. The Company's shares are listed on the AIM market of the London Stock Exchange.

The Financial Statements are for the year ended 30 September 2014 and have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). These Financial Statements (the "Financial Statements") have been prepared and approved by the Directors on 17 November 2014 and signed on their behalf by Mr. David Lenigas.

The accounting policies have been applied consistently throughout the preparation of these Financial Statements, and the financial report is presented in Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

#### **First-time Adoption**

The Company has adopted IFRS from 1 October 2012, being the date of the transition.

This is the first year in which the Company has prepared its financial statements under IFRS and the comparatives have been restated from UK Generally Accepted Accounting Practice (GAAP) to comply with IFRS.

The details of exemptions and changes to accounting policies have been fully described in Note 19 to the Financial Statements.

#### **Adoption of New or Amended IFRS**

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

#### *IFRS 13 Fair Value Measurement*

The Company has applied IFRS13 for the first time in the current year. IFRS13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS13 includes extensive disclosure requirements.

IFRS13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.

In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS13 for the 2013 comparative period. Other than the additional disclosures, the application of IFRS13 has not had any impact on the amounts recognised in the consolidated financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. Principal Accounting Policies (continued)**

*Amendments to IFRS7 Disclosures*

The Company has applied the amendments to IFRS7 Disclosures–Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As the Company does not have any offsetting arrangements in place, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS9	Financial Instruments
IFRS10	Consolidated Financial Statements
IFRS12	Joint Arrangements#
IAS28 (revised)	Investments in Associates and Joint Ventures
IAS32 (revised)	Offsetting Financial Assets and Financial Liabilities
IAS36 (revised)	Recoverable Amount Disclosures for Non-Financial Assets
IAS39 (revised)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC Interpretation21	Levies

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Company in future periods, except as that IFRS9 will impact both the measurement and disclosures of Financial Instruments. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

**Sources of Estimation and Key Judgements**

The preparation of the Financial Statements requires the Company to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historic experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

**Revenue**

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for services provided, excluding VAT and trade discounts. Revenue is credited to the Income Statement in the period it is deemed to be earned.

**Finance Income and Costs**

Finance income and costs are reported on an accruals basis.

**Taxation**

Current tax is the tax currently payable based on taxable profit for the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Principal Accounting Policies (continued)

#### Taxation (continued)

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

#### Financial Assets

Financial assets are divided into the following categories: loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired, and are recognised when the Company becomes party to contractual arrangements. Both loans and receivables and available for sale financial assets are initially recorded at fair value.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade, most other receivables and cash and cash equivalents fall into this category of financial assets. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Company retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Company transfers substantially all the risks and rewards of ownership of the asset, or if the Company neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

#### Financial Liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial liabilities initially recognised at fair value less transaction costs and thereafter carried at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Principal Accounting Policies (continued)

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Share-Based Payments

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period; and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances, employees may provide services in advance of the grant date, and therefore the grant-date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

#### Equity

Equity comprises the following:

"Share capital" representing the nominal value of equity shares.

"Share premium" representing the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

"Share based payment reserve" represents the value of equity benefits provided to employees and directors as part of their remuneration and provided to consultants and advisors hired by the Company from time to time as part of the consideration paid.

"Revaluation reserve" represents the unrealised gain or loss on fair/market value movement on available for sale investments, derivative financial instruments and other assets which are valued at their fair value at the balance sheet date.

"Retained earnings" represents retained profits and (losses).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Principal Accounting Policies (continued)

#### Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in other comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to other comprehensive income, otherwise such gains and losses are recognised in the income statement.

The Company's functional currency and presentational currency is Sterling.

#### Going Concern

The company is therefore deemed to be an investing company. It now has a low cost base and no borrowings. The Directors have prepared cash flow forecasts and budgets that show that for a period of at least twelve months from the date of these Financial Statements, the Company has sufficient resources to continue in business, and will seek to raise additional funds through a placing as conditions require for working capital or further investment opportunities. Accordingly, the Directors believe that it is appropriate to prepare the Financial Statements on a going concern basis.

### 2. Segment Reporting

The Company is now operating as a single UK based segment with a single primary activity to invest in businesses so as to generate a return for the shareholders. The revenue from this segment, generated from management services in the UK, was £7,000 (2013 - nil).

Subject to further acquisitions and disposals, the Company expects to further review its segmental information during the forthcoming financial year, as it begins to see the full impact of its acquisitions and/or disposals.

### 3. Operating Loss

Operating loss is stated after charging:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Directors remuneration	472	38
Employee Benefit Trust charge	13	-
Auditor's fees:		
Audit	14	32
Other compliance services	-	5
Tax compliance	-	6

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Directors and Employees

The company employs the services of 3 Directors (2013: 6).

Remuneration in respect of these executive and non-executive Directors was:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Employment costs, including Directors, during the year:</b>		
Wages and salaries	52	18
Consultancy fees	188	20
Social security costs	-	2
Share based payments	232	-
	<hr/> 472	<hr/> 40

<b>Average number of persons, including executive Directors employed</b>	<b>No.</b>	<b>No.</b>
Administration	3	3
	<hr/> 3	<hr/> 3

<b>Directors' remuneration</b>	<b>£000</b>	<b>£000</b>
Emoluments	470	20
	<hr/>	<hr/>

	<b>No.</b>	<b>No.</b>
Number of Directors in money purchase pension schemes	-	-
	<hr/>	<hr/>

The amounts set out above include remuneration in respect of the directors' are as follows:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
David Lenigas	142	-
Donald Strang	142	-
Jason Berry	118	-
Geoff Shingles	-	20
David Wither	70	-
Dr Oliver Leisten	-	-
Nicola Malyon	-	-
John Uttley	-	8
Philip David	-	10
Total Directors Emoluments	<hr/> 472	<hr/> 38

### 5. Tax on Profit on Ordinary Activities

There is no tax credit on the loss for the current or prior period. The tax assessed for the period differs from the standard rate of corporation tax in the UK as follows:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Loss for the year before tax	(907)	(2,479)
Tax rate	21/23%	23/24%
Expected tax credit	(200)	(582)
Differences between capital allowances and depreciation	-	-
Expenses not deductible for tax purposes	77	4
Future income tax benefit not brought to account	123	578
Actual tax expense	<hr/> -	<hr/> -

No deferred tax asset has been recognised because there is uncertainty of the timing of suitable future profits against which they can be recovered.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Loss per Share

The calculation of the basic loss per share is calculated by dividing the consolidated loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
(Loss) attributable to ordinary shareholders	(907)	(2,479)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares for calculating basic loss per share	841,904,149	(*) 966,992,986
	<b>Pence</b>	<b>Pence</b>
Basic and diluted loss per share	(0.11)	(0.26)

(\*) Pre 25 November 2013 capital re-organisation.

As inclusion of the potential ordinary shares would result in a decrease in the earnings per share they are considered to be anti-dilutive, as such, a diluted earnings per share is not included..

### 7. Investment in Subsidiaries

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost and net book amount</b>		
At 1 October	-	2,076
Increase in share scheme reserve	-	18
Disposal/Impairment	-	(2,094)
At 30 September	-	-
<b>Losses on disposal of subsidiary:</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Investment in subsidiary undertaking written off	-	2,094
Loan to subsidiary undertaking written off	-	136
Total losses charged to income statement	-	2,230

At 30 September 2013, the Company no longer had control of its subsidiary undertaking, Sarantel Ltd. Consequently, the carrying value had been treated as fully impaired and subsequently disposed of in the year ended 30 September 2013.

On 13 June 2013, the Board of the Company, announced that it had appointed an administrator to Sarantel Ltd, the operating subsidiary of the Company, after a demand for the repayment of the secured £2,000,000 HSBC loan facility. This resulted in the disposal of the Company's entire interest in the subsidiary, and operating business, with no recovery of loans to/or investment in the subsidiary for the Company, thus the entire value of the investment in, and loan to were fully written-off in the year ended 30 September 2013.

The Company was formerly released from the secured £2,000,000 liability, noted above, on 18 December 2013.

The Company as at 30 September 2014 had no interest in any subsidiary companies.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. Available for Sale Investments

	2014 £'000	2013 £'000
<b>Investment in unlisted securities</b>		
Valuation at 1 October	-	-
Additions at cost	1,568	-
Disposal/Impairment	-	-
Valuation at 30 September	1,568	-

On 19 December 2013, the Company completed the acquisition of a 7.5% shareholding in Horse Hill Development Ltd. ("Horse Hill"), a company incorporated and resident in the UK, with farm in interests in the Weald Basin UK, for exploration and production of petroleum under licence within the Horse Field, for a cash consideration of £450,000.

On 12 August 2014, the Company acquired an additional 12.5% interest in Horse Hill for a further cash consideration of £750,000, thus increasing the Company's holding to 20%.

On 16 May 2014, the Company completed the acquisition of a strategic 6% shareholding in Angus Energy Ltd, a company incorporated in Scotland and resident in the UK, for a consideration of £368,000, payable by the issue of 46million shares in the Company.

Horse Hill Development Ltd and Angus Energy Ltd are not listed on any stock exchange.

### 9. Trade and Other Receivables

	2014 £'000	2013 £'000
<b>Current trade and other receivables</b>		
Trade debtors	6	-
Other debtors	787	-
Loans to related parties (see Note 17)	370	-
Prepayments and accrued income	251	-
<b>Total</b>	<b>1,414</b>	<b>-</b>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

### 10. Trade and Other Payables

	2014 £'000	2013 £'000
<b>Current trade and other payables</b>		
Trade creditors	102	107
Other taxation and social security	-	1
Accruals and deferred income	394	13
<b>Total</b>	<b>496</b>	<b>121</b>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11. Derivative Financial Instrument

	2014	2013
	£'000	£'000
<b>Equity Swap Agreement</b>		
Fair value at 1 October	-	-
Cost of equity swap arrangement	250	-
Settled during the year	(92)	-
(Loss) on settled instalments	(18)	-
Fair value adjustment at 30 September	44	-
<b>Fair value carried forward at 30 September</b>	<b>184</b>	<b>-</b>

On 13 December 2013 the Company announced that it had entered into an equity swap agreement ("the Equity Swap Agreement") with YAGM over 62,499,996 of the Subscription Shares ("the Swap Shares"). In return for a payment by the Company to YAGM of £250,000, twelve monthly settlement payments in respect of such payment were to be made by YAGM to the Company, or by the Company to YAGM, based on a formula related to the difference between the prevailing market price (as defined in the Equity Swap Agreement) of the Company's ordinary shares in any month and a 'benchmark price' that is 10% above the Subscription Price of 0.8p. Thus the funds received by the Company in respect of the Swap Shares are dependent on the future price performance of the Company's ordinary shares.

YAGM may elect to terminate the Equity Swap Agreement and accelerate the payments due under it in certain circumstances. The Company may pause a monthly payment under the Equity Swap Agreement once in each six month period.

YAGM has agreed that it and its affiliates will refrain from holding any net short position in respect of the Company's ordinary shares and has agreed restrictions on the volume of ordinary shares in the Company that it can trade from time to time until the expiry or if earlier termination of the Equity Swap Agreement.

By 30 September 2014, 26,041,665 shares had been closed out for net proceeds of £92,000 which resulted in a loss of £18,000 against the benchmark price, taken to the income statement. The remaining balance has been fair valued at 30 September 2014, resulting in a fair uplift adjustment based on the benchmark price and formula of the arrangement, with the unrealised gain credited to revaluation reserve and highlighted in other comprehensive income.

After the year end, the Company agreed to close out the equity swap agreement on 27 October 2014, for a single final payment of £201,250, resulting in a gain above the benchmark price of £61,250.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. SHARE CAPITAL

#### Ordinary Shares

	Number of ordinary shares	Nominal Value £	Total Value £'000
Issued at 30 September 2012	829,439,991	0.001	829
On 3 April 2013, placing for cash at 0.1p per share	276,825,440	0.001	277
On 23 April 2013, conversion of B ordinary shares at a price of 0.1p per share	852,438	0.001	1
Issued at 30 September 2013	<b>1,107,117,869</b>	<b>0.001</b>	<b>1,107</b>
<i>Capital Reorganisation on 25 November 2013 (see (1) below);</i>			
- Sub-division into deferred shares of 0.001p	109,604,669,031	0.00001	1,096,047
- Sub-division into ordinary shares of 0.001p	1,107,117,869	0.00001	11
Consolidation on 10:1 basis, A ordinary shares of 0.01p each	110,711,787	0.0001	11
A Ordinary shares carried forward at 25 November 2013	110,711,787	0.0001	11
On 25 November 2013, placing for cash at 0.03p per share	500,000,000	0.0001	50
On 5 December 2013, placing for cash at 0.3p per share	66,666,666	0.0001	7
On 16 December 2013, placing for cash at 0.8p per share	130,000,000	0.0001	13
On 6 January 2014, conversion of B ordinary shares at 0.01p per share	18,390	0.0001	-
On 3 February 2014, issue of shares at 0.8p per share for acquisition	46,000,000	0.0001	4
On 28 May 2014, placing for cash at 0.3p per share	233,333,333	0.0001	23
On 27 June 2014, warrants exercised at 0.35p per share	6,499,999	0.0001	1
On 25 July 2014, placing for cash at 1p per share	200,000,000	0.0001	20
On 13 August 2014, warrants exercised at 0.35p per share	833,333	0.0001	-
On 29 September 2014, issue for cash at 0.01p per share	129,000,000	0.0001	13
Issued at 30 September 2014	<b>1,423,063,508</b>	<b>0.0001</b>	<b>142</b>

- (1) On 25 November 2013, at a General Meeting the shareholders approved a capital reorganisation. The existing ordinary shares of 0.1p were subdivided into one A ordinary share of 0.001p each and 99 deferred shares of 0.001p. These 0.001p A ordinary shares were then each consolidated into 0.01p A ordinary shares on an 10:1 basis. The rights attached to the new A ordinary shares are in all material aspects the same as the rights attaching to the existing A ordinary shares. In addition the B ordinary shares were also subdivided and consolidated on the same basis as the A ordinary shares into 0.01p B Ordinary shares and deferred shares of 0.001p.
- (2) On 31 March 2014, A ordinary shares were re-designated as Ordinary shares from that date, and remained in all material aspects the same as the rights which previously attached to the A ordinary shares.

#### B Ordinary Shares

At 1 October 2013, there were 183,902 B ordinary shares in issue, post the General Meeting of 25 November 2013 capital reorganisation, there were 18,390 B ordinary shares in issue, which were converted to A ordinary shares on 6 January 2014. After the conversion this class of share was subsequently cancelled.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. SHARE CAPITAL (continued)

#### Deferred shares

At 1 October 2013, there were 10,487,624,769 deferred shares of 0.1p in issue. Post the General Meeting of 25 November 2013 capital reorganisation, and the resultant conversion and subdivisions by way of relating to the A ordinary and B ordinary shares, the existing 0.1p deferred shares were subdivided into 0.001p deferred shares totalling 1,048,762,476,900. As a result of the reorganisation of the A and B ordinary shares, a further 109,604,669,031 and 18,206,298 deferred shares of 0.001p were issued. These deferred shares do not carry voting rights.

#### Total Ordinary and Deferred Shares

The issued share capital as at 30 September 2014 is as follows:

	Number of shares	Nominal Value £	Total Value £'000
Ordinary shares	1,423,063,508	0.0001	142
Deferred shares	1,158,385,352,229	0.00001	11,584
			<u>11,726</u>

#### Share Options

During the year 70 million options were granted (2013: nil).

As at 30 September 2014 the options in issue were:

Exercise price	Expiry date	Options in issue 30 September 2014
0.4p	28 November 2020	60,000,000
1.15p	22 August 2019	10,000,000
		<u>70,000,000</u>

No options were exercised or cancelled during the year (2013: nil).  
82,970,045 options lapsed during the year (2013: nil).

#### Warrants

5 million warrants lapsed during the year. (2013: 1,776,029).

On 6 December 2013, 66,666,666 warrants with an exercise price of 0.35p were issued. During the year 7,333,332 of these warrants were exercised. As at 30 September 2014, 59,333,334 of these warrants remain in issue. These warrants expire on 31 December 2014.

#### Employee Benefit Trust

The Company established on 29 September 2014, an employee benefit trust called the UK Oil & Gas Employee Benefit Trust ("EBT") to implement the use of the Company's existing share incentive plan over 10% of the Company's issued share capital from time to time in as efficient a manner as possible for the beneficiaries of that plan. The EBT is a discretionary trust for the benefit of directors, employees and consultants of the Company.

Accordingly, the trustees of the EBT subscribed for 129,000,000 new ordinary shares of 0.01p each in the Company, at par value per share at an aggregate cost to the Company of £12,900, such shares representing 9.07% of the existing issued share capital of the Company (at that date). The shares held in the EBT are intended to be used to satisfy future awards made by the Company's Remuneration Committee under the share incentive scheme.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13. Share-based Payments

Details of share options and warrants granted to Directors over the ordinary shares are as follows:

	At 1 October 2013 No. '000	Issued during the year No. '000	Cancelled during the year No. '000	At 30 September 2014 No. '000	Exercise price £	Date from which exercisable	Expiry date
<b>Share options</b>							
Donald Strang	-	10,000	-	10,000	0.0040	28/11/2013	28/11/2020
David Lenigas	-	10,000	-	10,000	0.0040	28/11/2013	28/11/2020
David Withers	-	10,000	-	10,000	0.0040	28/11/2013	28/11/2020
Jason Berry	-	10,000	-	10,000	0.0115	22/08/2014	22/08/2019
	-	40,000	-	40,000			
Consultants	-	30,000	-	30,000	0.0040	28/11/2013	28/11/2020
	-	30,000	-	30,000			

The share price range during the year was £0.0006 to £0.0170 (2013 - £0.0006 to £0.0033).

The disclosure of Weighted Average Exercise Prices, and Weighted Average Contractual Life analysis is not viewed as informative because of the minimal variation of options currently in issue, and has accordingly not been disclosed.

For those options granted where IFRS 2 "Share-Based Payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	Risk free rate	Share price volatility	Expected life	Share price at date of grant
28 November 2013	2.3%	248.6%	7 years	£0.0040
22 August 2014	2.3%	248.6%	5 years	£0.0112

Expected volatility was determined by calculating the historical volatility of the Company's share price for 12 months prior to the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company recognised total expenses of £351,000 (2013: £18,000) relating to equity-settled share-based payment transactions during the year, and £866,000 was transferred via equity to retained earnings on the lapse of options during the year (2013: nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Financial Instruments and Risk Analysis

#### Financial Assets by Category

The IAS 39 categories of financial asset included in the balance sheet and the headings in which they are included are as follows:

<b>Current assets</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Loans and receivables	1,414	-
Derivative financial instrument	184	-
Cash and cash equivalents	982	-
	<hr/>	<hr/>
	2,580	-

#### Financial Liabilities by Category

The IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

<b>Current liabilities</b>		
Financial liabilities measured at amortised cost	<hr/>	<hr/>
	496	121

The Company is exposed to market risk through its use of financial instruments and specifically to credit risk, and liquidity risk which result from both its operating and investing activities. The Company's risk management is coordinated at its headquarters, in close co-operation with the board of Directors, and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

#### Interest Rate Sensitivity

The Company is not substantially exposed to interest rate sensitivity, other than in relation to interest bearing bank accounts.

#### Credit Risk Analysis

The Company's exposure to credit risk is limited to the carrying amount of trade receivables. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by Company, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Company's policy is to deal only with creditworthy counterparties. Company management considers that trade receivables that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

#### Liquidity risk analysis

The Company's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

#### Capital Management Policies

The Company's capital management objectives are to:

- Ensure the Company's ability to continue as a going concern; and
- Provide a return to shareholders

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents.

### 15. Events after the Reporting Date

On 8 October 2014, the Company completed a placing of 166,666,667 ordinary shares at 1.2p per share, raising gross proceeds of £2 million.

On 20 October 2014, the Company announced the completion of the acquisition of Northern Petroleum Plc's ("Northern Petroleum") UK production and exploration oil and gas licence interests for a total consideration of £1.5 million. As previously announced on 24 July 2014, the transaction was structured as the acquisition by UKOG of Northern Petroleum's three UK subsidiary companies, Northern Petroleum (GB) Limited ("NPGBL"), NP Solent Limited ("NPSL") and NP Weald Limited ("NPWL"), subject to the completion of certain conditions. The base consideration paid by the Company in cash for each of NPGBL, NPSL and NPWL, was £1,311,999, £1 and £188,000 respectively.

On 27 October 2014, the Company agreed the closure and settlement of the YAGM equity swap as detailed in note 11.

On 29 October 2014, the Company announced it had entered into an unsecured US\$10million debt facility with YA Global Master SPV Ltd ("YAGM"), and has drawn down US\$1 million under the YAGM Facility, which is repayable at the rate of US\$83,333 per month on or before 1 November 2015, together with accrued interest.

### 16. Capital Commitments & Contingent Liabilities

There were no capital commitments nor any contingent liabilities at 30 September 2014 or at 30 September 2013.

### 17. Related Party Transactions

The company had the following amounts outstanding from its investee companies (Note 8) at the year end:

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Horse Hill Development Ltd ("Horse Hill")	260	-
Angus Energy Ltd ("Angus")	110	-
	<b>370</b>	-

The above loans outstanding are included within trade and other receivables, Note 9. The loan to Horse Hill has been made in accordance with the terms of the investment agreement whereby it accrues interest daily at the Bank of England base rate and is repayable out of future cashflows. The loan to Angus is a short term loan repayable on demand.

#### *Remuneration of Key Management Personnel*

The remuneration of the directors, and other key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS24 Related party Disclosures

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Short-term employee benefits	240	38
Share-based payments	232	-
	<b>472</b>	<b>38</b>

### 18. Ultimate Controlling Party

In the opinion of the directors there is no controlling party.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **19. Explanation of Transition to IFRSs**

For all periods up to and including the year ended 30 September 2013, the Company prepared its financial statements in accordance with UK GAAP. These financial statements for the year ended 30 September 2014, are the first the Company has opted to prepare in accordance with IFRSs as adopted by the European Union (EU).

Accordingly, the Company has prepared financial statements which comply with IFRSs applicable for all periods since 30 September 2012 and the significant accounting policies meeting those requirements are described in note 1. In preparing these financial statements, the Company has started from 1 October 2012, the Company's date of transition to IFRSs, and made those changes in accounting policies and other restatements required by IFRS 1 for the first time adoption of IFRSs. This note explains the principal adjustments made by the Company in restating its previously published UK GAAP financial statements for the year ended 30 September 2013.

#### **Exemptions Applied**

IFRS 1 allows first time adopters certain exemptions from the general requirement to apply IFRSs as effective for 30 September 2012 years there ending retrospectively. The Company has taken the following exemptions:

- IFRS 3 'Business Combinations' has not been applied to acquisitions of subsidiaries or interests in associates or joint ventures that occurred before 1 October 2012.

#### **Adjustments to Balances on the Transition to IFRS**

There have been no changes deemed necessary to the assets, liabilities, equity, or losses of the Company in the transition to IFRS. The previously reported financial statements under UK GAAP have not been adjusted on the transitional process.

#### **Cashflow Statement**

As a result of the transition to IFRS, there were no material differences between the cashflow statement presented under IFRS and that presented under UK GAAP.

## COMPANY INFORMATION

Company registration number	05299925
Registered office	Suite 3B 38 Jermyn Street London SW1Y 6DN
Directors	David Lenigas Donald Strang Jason Berry
Secretary	Donald Strang ACA
Auditors	Chapman Davis LLP Chartered Accountants Registered Auditor 2 Chapel Court London, SE1 1HH
Nominated Adviser	Beaumont Cornish Ltd 2 <sup>nd</sup> Floor, Bowman House 29 Wilson Street London, EC2M 2SJ
Solicitors	Kerman and Co. LLP 200 Strand, London, WC2R 1DJ
Registrars	Share Registrars Limited Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL