

IGas Energy Development Limited

Report and Unaudited Financial Statements
for the year ended 31 December 2019

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Company information

Ultimate parent undertaking	IGas Energy plc
Directors	S D Bowler J L Tedder T Perera Schuetze
Registered number	07240286
Registered office	7 Down Street London W1J 7AJ
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP

Copies of Report and Unaudited Financial Statements

Further copies of this Report and Unaudited Financial Statements can be obtained from IGas Energy Development Limited's Registered Office.

IGas Energy Development Limited
Directors' report
Registered number: 07240286

The Directors present their report and unaudited financial statements of IGas Energy Development Limited ("the Company") for the year ended 31 December 2019.

Directors of the company

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on Page 1.

Dividends

The Directors do not recommend the payment of a dividend.

Principal activities and future developments

The principal activities of the Company is to explore for, appraise, develop and produce oil and gas reserves and resources in United Kingdom.

The Company continues to optimise economic production from its' assets and to seek initiatives to extend asset uptime and optimise processes and costs.

The Company holds interests in PEDLs 012, 139, 140, 146, 147, 169, DL 002, PL162, PL 179, PL 233, PL 249, EXL 288 and EXL 273 ("the licences"). During the year, the Company continued with the exploration of the Gainsborough Trough area.

Financial instruments

The Company finances its activities with a combination of intercompany loans and cash generated from operations. Intercompany advances are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade and other receivables, trade and other payables and cash and cash equivalents, arise directly from the Company's operating activities

The Company manages its exposure to key financial risks in accordance with the Group's 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, foreign currency and interest rate risks; and
- Liquidity 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, foreign currency risk and interest rate risk. The Company is exposed to the risk of fluctuations in prevailing market commodity prices (primarily crude oil) on the oil it sells. The Company considers that such risks are mitigated by the ultimate parent's hedging policy. The Company is exposed to exchange rate risk through its major source of revenue being priced in US\$, whereas its costs are primarily denominated in Pounds Sterling. The IGas Energy plc Board monitors the cash flows of the Group to ensure currency exposure is understood and considers exchange rate hedges as appropriate to ensure cash inflows in dollars are matched with sterling cash outflows.

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

Events since the balance sheet date

There have been no events since the balance sheet date that require disclosure.

IGas Energy Development Limited

Directors' report (continued)

Registered number: 07240286

Directors' liabilities

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

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or Officers of any Group company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006. These provisions remained in force throughout the year and remain in place at the date of this report.

Basis of preparation

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The Directors have also taken advantage of the small companies exemptions provided by section 414B of the Companies Act 2006 and have not prepared a strategic report.

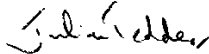
Audit exemption

For the years ended 31 December 2019 and 31 December 2018, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006;
- the Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

On behalf of the board



J L Tedder

Director

24 July 2020

Statement of Directors' responsibilities in respect of the financial statements

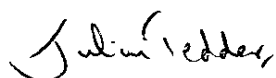
The Directors are responsible for preparing the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.



J L Tedder
Director
24 July 2020

Income statement

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Revenue	3	8,636,096	9,710,456
Cost of sales		(7,954,295)	(8,156,437)
Gross profit		681,801	1,554,019
Administrative expenses		(184,926)	(326,884)
Exploration and evaluation assets written off	9	(3,181,151)	(1,029,448)
Impairment of property, plant and equipment	10	-	(5,293,409)
Operating loss	4	(2,684,275)	(5,095,722)
Finance income	7	-	786,659
Finance costs	7	(1,430,526)	(367,207)
Loss before tax		(4,114,801)	(4,676,270)
Income tax (charge)/credit	8	(522,782)	1,095,939
Loss for the year		(4,637,584)	(3,580,331)

All amounts relate to continuing activities.

Statement of comprehensive income

For the year ended 31 December 2019

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Loss for the year	(4,637,584)	(3,580,331)
Total comprehensive loss for the year	(4,637,584)	(3,580,331)

The notes on pages 9 to 31 are an integral part of these financial statements.

Statement of financial position

At 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
Non-current assets			
Intangible exploration and evaluation assets	9	2,608,353	439,362
Property, plant and equipment	10	23,186,929	23,614,710
Right-of-use asset	11	1,449,306	-
Investments	12	1	1
Deferred tax asset	9	6,692,657	7,215,439
		33,937,246	31,269,512
Current assets			
Inventories	13	135,061	109,754
Other receivables	14	10,818,259	11,969,257
Cash and cash equivalents		48,118	44,966
		11,001,438	12,123,977
Total assets		44,938,684	43,393,489
Current liabilities			
Lease liability	11	(121,504)	-
Trade and other payable	15	(63,669,730)	(60,523,865)
		(63,791,234)	(60,523,865)
Non-current liabilities			
Other provisions	16	(8,256,271)	(6,624,104)
Lease liability	11	(1,283,243)	-
		(9,539,514)	(6,624,104)
Total liabilities		(73,330,748)	(67,147,969)
Net liabilities		(28,392,064)	(23,754,480)
Capital and reserves			
Called up share capital	17	13,031	13,031
Share premium	18	3,675,964	3,675,964
Accumulated deficit	18	(32,081,059)	(27,443,475)
Total shareholders' deficit		(28,392,064)	(23,754,480)

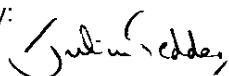
The notes on pages 9 to 31 are an integral part of these financial statements.

Audit exemption

For the year ended 31 December 2019 and 31 December 2018, the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements on pages 5 to 31 were approved by the Board on 24 July 2020 and were signed on its behalf by:

J L Tedder
Director



Statement of changes in equity

For the year ended 31 December 2019

	Called up share capital (note 17) £	Share premium £	Accumulated deficit £	Total £
At 1 January 2018	13,031	3,675,964	(23,863,144)	(20,174,149)
Total comprehensive loss for the year	-	-	(3,580,331)	(3,580,331)
At 31 December 2018	13,031	3,675,964	(27,443,475)	(23,754,480)
Total comprehensive loss for the year	-	-	(4,637,584)	(4,637,584)
At 31 December 2019	13,031	3,675,964	(32,081,059)	(28,392,064)

The notes on pages 9 to 31 are an integral part of these financial statements.

Statement of cash flow

At 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
Cash flows from operating activities			
Loss before tax		(4,114,802)	(4,676,270)
Depreciation, depletion and amortisation	10 & 11	3,437,530	3,452,625
Abandonment costs/other provisions utilised	16	(438,774)	-
Exploration and evaluation assets written off	9	3,181,151	1,029,448
Impairment of property, plant and equipment	10	-	5,293,409
Finance income	7	-	(786,659)
Finance costs	7	1,430,526	367,207
Operating cash flow before working capital movements		3,495,631	4,679,760
Decrease/(Increase) in trade and other receivables and other financial assets		1,069,407	(4,942,508)
Increase in trade and other payables		1,918,323	4,574,309
Increase in inventories		(25,307)	(19,172)
Net cash from operating activities		6,458,054	4,292,389
Cash flows from investing activities			
Purchase of exploration and evaluation assets	9	(4,901,082)	(517,996)
Purchase of property, plant and equipment	10	(1,210,582)	(3,774,646)
Interest paid		(2)	-
Net cash from/(used in) investing activities		346,388	(4,292,642)
Cash flows from financing activities			
Repayment of principal portion of lease liability		(343,236)	-
Net cash used in financing activities		(343,236)	-
Net decrease in cash and cash equivalents		3,152	(253)
Cash and cash equivalents at the beginning of the year		44,966	45,219
Cash and cash equivalents at the end of the year		48,118	44,966

The notes on pages 9 to 31 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2019

1. General information

The financial statements of IGas Energy Development Limited (the "Company") for the year ended 31 December 2019 were approved by the Board and authorised for issue on 24 July 2020.

The Company is a private company limited by share capital incorporated in England and domiciled in the UK.

The address of its registered office is: 7 Down Street, London W1J 7AJ.

2. Accounting policies

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

2.1. Basis of preparation

These financial statements have been prepared 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 December 2019, and with the Companies Act 2006.

The financial statements are prepared in accordance with the historical cost convention and have been prepared on the going concern basis.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are disclosed in note 2.4.

Going concern

The Company is reliant on the continued financial support of its ultimate parent company, IGas Energy plc ("IGas"). The Directors therefore considered the going concern assessment prepared in respect of the audited consolidated financial statements of IGas for the year ended 31 December 2019, approved on 9 April 2020, which included disclosure of the following information in respect of the IGas Group's ability to continue as a going concern:

"The Group continues to closely monitor and manage its liquidity risks. Cash forecasts for the Group are regularly produced based on, inter alia, management's best estimate of:

- *The Group's production and expenditure forecasts;*
- *Future oil prices;*
- *The level of available facilities under the group's RBL; and*
- *Foreign exchange rates.*

Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, strengthening of sterling and reductions in forecast oil and gas production rates.

In the first quarter of 2020, the oil price has been affected by the global spread of COVID-19 and the resultant reduction in oil demand. This situation has since been compounded by the failure of OPEC to reach an agreement on constraining supply and the decision of several countries to increase output. At the date of this report, there remains significant uncertainty over the impact of COVID-19 on future global demand for oil and therefore the price of oil.

2. Accounting policies (continued)

2.1. Basis of preparation (continued)

Going concern (continued)

The ability of the Group to operate as a going concern is dependent upon the future oil prices and foreign exchange rates as they impact the continued generation of future cash flows and the loan facility available

under its RBL (which is redetermined semi-annually based on various parameters including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants. To mitigate these risks, the Group benefits from its hedging policy with 420,000 bbls hedged at an average minimum price of \$53.6/bbl for 2020. The Group also has \$12 million of foreign exchange hedges in place at rates between \$1.17-\$1.20:£1 for the period to 30 June 2021. Furthermore, the Group's net reserves position has increased by 1.5 mmbbl during 2019 which will partially offset any impact of lower prices in its RBL facility at the next redetermination in May 2020.

Management has considered the impact of the COVID-19 global crisis on the Group's operations. We continue to monitor the situation closely and act within Government guidelines and have a number of contingency plans in place should our operations be significantly affected by COVID-19. Many of our sites are remotely manned and at this stage we are well equipped as a business to ensure we maintain business continuity. Our production comes from a large number of wells in a variety of locations (all of which are on land and in the UK) and we have flexibility in our off-take arrangements, as we transport oil via road. In this regard, we continue to liaise and co-operate with all the relevant regulators.

The Group's base case going concern model was run with average oil prices of \$32/bbl for April to December 2020 rising to \$45/bbl from January 2021 and a foreign exchange rate of \$1.20:£1 during the period. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility, as well as an estimate, based on management's knowledge and past experience, of the outcome of the next half-yearly redetermination due in May 2020, and the following redetermination date in December 2020, albeit the level of the facility available to us is dependent on the facility provider, BMO, and is beyond our control.

Given the uncertainties described above, the level of Group revenues and availability of facilities under the RBL are inherently uncertain. As such management has also prepared a downside forecast with the following assumptions:

Oil prices at \$20/bbl in the second quarter of 2020 rising to \$30/bbl in the fourth quarter of 2020 and \$43-\$45/bbl in 2021. As this assumption is lower than external current forward curves, management considers this is a reasonable downside scenario that reflects further potential reductions in price caused by the failure of OPEC to reach an agreement on constraining supply and lower demand from reduced industrial activity caused by COVID-19. This downside is partially mitigated by the commodity hedges the Group has in place. However, oil price is outside the Company's control and this could be lower should there be further market disruption either from COVID-19, or OPEC disagreements;

No change to the level of available RBL loan facility during the forecast period as this reflects longer term oil price assumptions that have been considered in conjunction with recent discussions with the RBL facility provider;

A reduction in production of 10% to reflect a disruption risk to operational and production related activities from the COVID-19 crisis. As the Group is providing a government designated essential service and due to the large number of operational wells, the impact of COVID-19 on production has to date been very limited and has been assumed to remain so as management does not currently foresee wells needing to be shut down due to the impact of COVID-19. Management therefore considers this assumption represents a reasonable downside in this uncertain time based on management's experience of previous unplanned shut downs;

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

2.1. Basis of preparation (continued)

Going concern (continued)

Exchange rates of \$1.20:£1 for 2020 and \$1.25:£1 for 2021 to reflect a downside caused by the weakening of the dollar later in the period. This downside is partially mitigated by the currency hedges the Group has in place; and

Includes the impact of action management could take to reduce cash outflow, including delaying capital expenditure and additional reductions in costs in order to remain within the Company's debt liquidity covenants based on the Group's expected RBL redeterminations in May 2020 and December 2020. All such mitigating actions are within management's control and could be actioned within the required time frame.

In this downside scenario, our forecast shows that the Group will have sufficient liquidity and financial headroom to meet its financial covenants for the 12 months from the date of approval of the financial statements. However, should oil price or demand (and therefore revenue) fall further, the Company may not have sufficient funds available for 12 months from the date of approval of these financial statements. As a result, at the date of approval of the financial statements, there is material uncertainty over future commodity prices, the outcome of the May 2020 redetermination of the RBL and the potential impact of COVID-19 on the Group's operational activities. These material uncertainties may cast significant doubt upon the Group's ability to continue as a going concern. Notwithstanding these material uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Basis of consolidation

The financial statements present information about the Company as an individual undertaking and not about its Group. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare and deliver Group financial statements as the financial statements of IGas Energy Development Limited are consolidated in the financial statements of IGas Energy plc, the ultimate parent undertaking as at 31 December 2019.

2.2. New and amended standards and interpretations

During the year, the Company adopted the following new and amended IFRSs for the first time for the Company's activities commencing 1 January 2019.

IFRS 16	Leases
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to IAS 28	Long-term interest in Associates and Joint Ventures

The Company changed its accounting policies as a result of adopting IFRS 16. The Company elected to adopt the new rules under the modified retrospective approach but recognised the cumulative effect of initially applying the new standard on 1 January 2019. See further disclosure in note 11. The other amendments and interpretations listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2. Accounting policies (continued)

2.3. New standards, interpretations and amendments not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are not mandatory for 31 December 2019 reporting period. These standards are effective from 1 January 2020, are not expected to have a material impact on the Company in the current or future reporting periods and have not been early adopted.

IAS 1 and IAS 8 Definition of Material

IFRS 3 Definition of a Business – Amendments to IFRS 3

The Conceptual Framework for Financial Reporting

2.4. Judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements in accordance with IFRS requires management to make judgements and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the 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 and estimates are required, and where if actual results were to differ, this could materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

Estimates

Carrying value of intangible exploration and evaluation assets

The Company has capitalised intangible exploration and evaluation assets in accordance with IFRS 6. Significant judgement is required in considering whether it is appropriate to carry these costs on the balance sheet and whether the assets have been impaired as described at 2.5. (b) below. Any impairment review, where required, involves estimates and assumptions related to matters 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 at least annually for impairment indicators. The determination of recoverable amounts in any resulting impairment test requires judgement around key assumptions. Key assumptions in the impairment models include those related to GBP to US dollar foreign exchange rates and prices that are based on forward curves and long-term corporate assumptions thereafter, discount rates, that are risked to reflect conditions specific to individual assets, future costs, both capital and operating that are based on management's estimates having regard to past experience and the known characteristics of the individual assets, reserves and future production, discussed further below. Details of the Company's property, plant, and equipment are disclosed in note 10.

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

2.4. Judgements and key sources of estimation uncertainty (continued)

Proved and probable reserves

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

Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed periodically and is based on forecast price levels and technology at the balance sheet date. Provision is made for the estimated cost at the balance sheet date, using a discounted cash flow methodology and a risk free rate of return. Details of the Company's decommissioning costs are disclosed in note 16.

Deferred tax asset recognition

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Estimates of future taxable profits are based on cash flows expected to be generated from internal estimates of projected production and costs. Details of the Company's deferred tax assets, including those not recognised due to uncertainty regarding the future utilisation, are disclosed in note 9.

Judgements

Functional currency

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

Interest rate implicit in the lease

Since the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate is used. The incremental borrowing rate (IBR) applicable for all of the leases for the Group is between 7.5% and 8.5%. While there is no definitive guidance in IFRS 16 on how to determine an IBR, the Company uses rates built up from 3 components as follows:

- a) Risk free rate – a treasury bond rate or an interest swap rate in the local currency for the country of the lease, which reflects the duration of the lease;
- b) Credit spread specific to the lessee; and
- c) Asset/lease specific adjustments to reflect the nature of the collateral

The determination of whether there is an interest rate implicit in the lease, the calculation of the Group's incremental borrowing rate, and whether any adjustments to this rate are required, involves some judgement and is subject to change over time. At the commencement date of leases management consider whether the lease term will be the full term of the lease or whether any option to break or extend the lease is likely to be exercised. Leases are regularly reviewed and will be revalued if the term is likely to change.

2. Accounting policies (continued)

2.5. Significant accounting policies

(a) 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 at a point in time when the control of the goods have passed onto the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. In the case of oil sales, these are recognised when goods are delivered and title has passed to the customer. This generally occurs when the product is physically delivered to the customer's premises or transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of oil from fields in which the 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.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the invoiced value of goods or services rendered exceed the payment, a contract asset will be recognised. If the payments exceed the invoiced value of goods or services rendered, a contract liability will be recognised.

Joint arrangements

A small proportion of the Company's licence interests are held jointly with others under arrangements whereby unincorporated and jointly controlled operations 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 joint operations, classified in the appropriate balance sheet and income statement headings, except where its share of such amounts remain the responsibility of another party in accordance with the terms of carried interests.

Where the Company enters into a farm-in 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-in agreement as they are incurred.

Where the Company enters into a farm-out agreement involving a licence in the exploration and evaluation phase, the Company records the proceeds received in respect of the farm-out as a reduction to the carrying amount of the asset. Where the proceeds exceed the carrying amount of the asset immediately prior to the farm-out, the excess is recognised as a gain in the income statement. No amounts are recognised in respect of future capital expenditure commitments from the farmee.

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

(b) 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:

Any costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement.

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

2.5. Significant accounting policies (continued)

(b) Non-current assets (continued)

Intangible exploration and evaluation assets (continued)

- Expenditures recognised as exploration and evaluation assets comprise those related to acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling (including coring and sampling), activities in relation to evaluating the technical feasibility and commercial viability of extracting hydrocarbons (including appraisal drilling and production tests) and any land rights acquired for the sole purpose of effecting these activities. These costs include employee remuneration and directly attributable overheads, materials and consumables, equipment costs and payments made to contractors;
- Tangible assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such tangible assets are consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the exploration and evaluation asset;
- Expenditures recognised as exploration and evaluation assets are initially accumulated and capitalised by reference to appropriate geographic areas;
- 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; and
- 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, when there are no substantive plans for continued exploration or evaluation of an area, when the Company decides to abandon an area, or where development is likely to proceed in an area there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale.

Property plant and equipment – interests in oil and gas properties

Property plant and equipment, interests in oil and gas properties are accounted for as follows:

- Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses;
- The cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and for qualifying assets where relevant, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The cost of oil and gas assets also includes an amount equal to the decommissioning cost estimate. The capitalised value of any associated finance leases is also included within property, plant and equipment;
- When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation; and
- Oil and gas properties are depleted either on a unit of production basis, commencing at the start of commercial production, or 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.

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

2.5. Significant accounting policies (continued)

(b) Non-current assets (continued)

Property plant and equipment – interests in oil and gas properties (continued)

- The Company's interests in oil and gas properties are assessed for indications of impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, in which case impairment is computed on the basis as set out below. Any impairment in value is charged to the Income Statement as additional depreciation; and
- 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 tests 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 for oil and gas properties is the higher of an asset's fair value less costs to sell and its value in use. The Company generally assesses the value in use using the estimated future cash flows 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 ("CGU"); and
- 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 depleted in accordance with the Company's policies as set out above.

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 the exception of freehold land, at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives at the following rates, with any impairment being accounted for as additional depreciation:

Freehold land	– indefinite useful life
Buildings/leasehold property improvements	– between five and ten years on a straight line basis/over the period of the lease

The Company does not capitalise amounts considered to be immaterial.

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

2.5. Significant accounting policies (continued)

(c) 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 receivables

Details about the Company's impairment policy and the calculation of expected credit loss allowance is provided in the Impairment of financial assets accounting policy below.

Trade and other payables

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

Impairment of financial assets

At the end of each reporting period, a provision is made if there is objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of loss is recognised in the income statement.

If in the subsequent period, the amount of loss decreased and the decrease is related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Expected credit loss

The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of receivables.

(d) Group loans

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

2. Accounting policies (continued)

2.5. Significant accounting policies (continued)

(e) Leases

As explained in note 2.2 above, the Company has changed its accounting policy for leases where the Company is the lessee. Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. The impact of the change is described note 11 and the new policy is as follows:

Amounts recognised in cash flow statement

Lease payments are now split between financing cash flows and operating cash flows in the cash flow statement. Financing cash flows represent repayment of principal and interest. In prior periods operating lease payments were all presented as operating cash flows under IAS 17.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right-of-use assets are subject to and reviewed regularly for impairment. Depreciation on right-of-use assets is included in depletion, depreciation and amortisation within cost of sales or in administrative expense in the income statement based on the nature of the asset.

Lease liabilities

The Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index. The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Extension renewal and termination options

Extension, renewal and termination options are included in a number of land and other equipment leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an option to extend or renew, or not exercise a termination option. Extension and renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(f) Inventories

Inventories, consisting of crude oil, are stated at the lower of cost and net realisable value. Costs comprise 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.

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

2.5. Significant accounting policies (continued)

(g) Taxation

The tax charge/credit includes current tax and deferred tax.

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

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

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

(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.

(i) Foreign currency

The financial statements are presented in UK pound sterling, which is the Company's functional currency. Transactions denominated in currencies other than functional currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement.

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

3. Revenue

The Company derives revenue solely within the United Kingdom from the transfer of goods and services to external customers which is recognised at a point in time. The Company's major product lines are:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Oil sales	8,633,772	9,710,456
Electricity sales	2,324	-
	8,636,096	9,710,456

As at 31 December 2019, there are no contract assets or contract liabilities outstanding.

4. Operating loss

Operating loss is stated after charging:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Depletion, depreciation and amortisation (note 10 and 11)	(3,437,530)	(3,452,625)
Impairment of property, plant and equipment (note 10)	-	(5,293,409)
Exploration and evaluation assets written off (note 9)	(3,181,151)	(1,029,448)
Operating lease charges:		
Land and buildings (note 20)	-	(186,764)

5. Staff costs

The Company does not have any employees (2018: none). A proportion of the Igas Energy plc group staff costs are charged to the income statement or capitalised as additions to intangible exploration and evaluation assets or property plant and equipment of the Group's subsidiaries through the timewriting or cost allocation process as appropriate based on activities carried out.

6. Directors' remuneration

No Directors serving at the balance sheet date or during the current or previous financial year have been paid any emoluments by the Company as they are employed by either IGas Energy plc or another member of the Group.

No management charge has been made by IGas Energy plc or another member of the Group (2018: £nil). No amounts are charged for Directors' services.

Details of emoluments paid to Directors for services to the IGas Group are detailed in the IGas Energy plc Annual Report and Accounts available on the ultimate parent undertaking's website at www.igasplc.com.

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

7. Finance income and finance costs

Finance income

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Foreign exchange gains	-	786,659
Finance income	-	786,659

Finance costs

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Interest on amounts owing to Group and affiliate undertakings	(196,955)	(196,955)
Unwinding of discount on provisions (note 16)	(205,835)	(170,252)
Finance charge on lease liability (note 11)	(123,293)	-
Foreign exchange losses	(904,441)	-
Other	(2)	-
Finance costs	(1,430,526)	(367,207)

8. Income tax (charge)/credit

Tax credit on loss from ordinary activities

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Current tax		
Current income tax for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	(2,040,167)	1,063,485
Credit in relation to prior periods	1,517,385	32,454
Income tax (charge)/credit	(522,782)	1,095,939

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

8. Income tax (charge)/credit (continued)

Factors affecting the tax (charge)/credit

A reconciliation of the UK statutory corporation tax rate applicable to the Company's loss before tax to the Company's total tax (charge)/credit is as follows:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Loss before tax	(4,114,802)	(4,676,270)
Expected tax credit based on loss before tax multiplied by the combined average rate of corporation tax and supplementary charge in the UK of 40% (2018: 40%)	1,645,920	1,870,508
Effects of:		
Prior year deferred tax credit	1,517,385	32,454
Tax effect of expenses not allowable for tax purposes	(31,968)	(2,117,364)
Tax effect of expenses not allowable for supplementary charge	(19,695)	(19,695)
Losses for which no deferred tax has been recognised	(3,634,424)	-
Net increase in realised losses carried forward	-	1,340,841
Other	-	(10,805)
Income tax (charge)/credit	(522,782)	1,095,939

The majority of the Company's losses are generated by "ring fence" businesses which attract UK corporation tax and supplementary charge at a combined average rate of 40%.

Deferred tax

The Company has further ring-fence corporation tax losses of £9.1 million (2018: £11.2 million) for which no deferred tax asset has been recognised due to uncertainty of available profits against which the losses can be utilised.

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

	31 December 2019 £	31 December 2018 £
Accelerated capital allowances	(7,676,546)	(8,571,426)
Tax losses carried forward	12,179,503	14,270,296
Investment allowance unutilised	191,743	32,655
Decommissioning provision	2,018,858	1,483,914
Other	(20,901)	-
Deferred tax asset	6,692,657	7,215,439

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

9. Intangible exploration and evaluation assets

	31 December 2019 £	31 December 2018 £
Cost		
1 January	439,362	1,019,488
Additions	109,990	449,322
Transfers from other Group companies	4,946,221	-
Changes in decommissioning	293,931	-
Exploration costs written off	(3,181,151)	(1,029,448)
31 December	2,608,353	439,362

Transfers from other Group companies relates to corporate costs being recharged to oil and gas licences.

Exploration and evaluation assets were reviewed for indicators of impairment. An impairment of £3.2 million (2019: £1.0 million) was recognised mainly due to the planned relinquishment of PEDL 146 and EXL 288 in the East Midlands.

10. Property, plant and equipment

	2019			2018		
	Land & Buildings £	Oil and gas properties £	Total £	Land & Buildings £	Oil and gas properties £	Total £
Cost						
At 1 January	291,363	48,900,593	49,191,956	291,363	44,792,996	45,084,359
Additions	-	1,263,190	1,263,190	-	3,774,646	3,774,646
Disposals	-	(4,948)	(4,948)	-	-	-
Changes in decommissioning	-	1,571,175	1,571,175	-	332,951	332,951
At 31 December	291,363	51,730,010	52,021,373	291,363	48,900,593	49,191,956
Accumulated depreciation						
At 1 January	2,263	25,574,983	25,577,246	238	16,830,974	16,831,212
Charge for the year	-	3,262,146	3,262,146	2,025	3,450,600	3,452,625
Disposals	-	(4,948)	(4,948)	-	-	-
Impairment	-	-	-	-	5,293,409	5,293,409
At 31 December	2,263	28,832,181	28,834,444	2,263	25,574,983	25,577,246
Net book value						
At 31 December	289,100	22,897,829	23,186,929	289,100	23,325,610	23,614,710

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

10. Property, plant and equipment (continued)

Impairment of oil and gas properties

Due to the continuing volatility in oil and gas prices and foreign exchange rates, the Company's oil and gas properties were reviewed for impairment as at 31 December 2019. A cash generating unit ("CGU") for impairment purposes is the legal entity. The impairment assessment was prepared on a fair value less costs of disposal basis and using discounted future cash flows based on 2P reserve profiles. The future cash flows were estimated using price assumption for Brent of \$60/bbl for the years 2020-2024 and \$70/bbl (2018: \$75/bbl) thereafter, and a USD/GBP foreign exchange rate of \$1.35:£1.00 (2018: \$1.30/£1.00). Cash flows were discounted using a pre-tax discount rate of 8.5% (2018: 11%). An impairment charge of £7,058,366 was recognised in the year (2018: £5,293,409).

Sensitivity of changes in assumptions

As discussed above, the principal assumptions are recoverable future production and resources, estimated Brent prices and the USD/GBP foreign exchange rate. Impairments that would result from changes to the key assumptions are shown below:

	Discount rate	Prices	USD/GBP foreign exchange rate
	9.5%	\$35/bbl in 2020, rising by \$5 each year to 2024 and \$60/bbl thereafter	\$1.20:£1.00 to 2024 and \$1.35:£1.00 thereafter
	£	£	£
Additional impairment	N/A	2,157,640	1,919,889

The sensitivity analysis above does not take into account any mitigating actions available to management should these changes occur.

In addition, management considered the impact of climate change on the value of the Group's conventional assets. Assessing the impact is difficult and very subjective. However, management have assumed that this might result in lower oil prices or increased costs in the medium term and have therefore calculated a sensitivity based on a reduced price of £50/bbl from 2030 onwards and a cessation of production after 2050. This would result in an impairment of £9.0 million in IGas Energy Production Limited and £nil in IGas Energy Development Limited.

The fair value is a level 3 fair value measurement valuation technique which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data.

11. Right-of-use assets and lease liabilities

The Company adopted IFRS 16 Leases, which sets out the principles for the recognition, measurement, presentation and disclosure of leases, for periods commencing after 1 January 2019. On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which were previously classified as operating leases under the provisions of IAS 17 Leases.

The Company's leasing activities and how these are accounted for

The Company leases land and other equipment. Rental contracts are typically made for fixed periods of between 5 and 22 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Leased assets may not be used as security for borrowing purposes.

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

11. Right-of-use assets and lease liabilities (continued)

Until 31 December 2018, leases of land and other equipment were classified as operating leases. See note 2.5 (e) for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

(a) Adjustments recognised on adoption of IFRS 16

In accordance with the transition provisions in IFRS 16, the modified retrospective approach has been adopted with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year have not be restated. The financial impact of transition to IFRS 16 for the year ended 31 December 2019 has been summarised within this note. In applying IFRS 16 for the first time, the Company has used the practical expedient permitted by the standard, relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019. The Company has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value ('low-value assets'). The Company recognises lease expenses for these contracts on a straight-line basis as permitted by IFRS 16. Lease liabilities related to operated Joint Ventures are disclosed gross.

	£
Operating lease commitments disclosed as at 31 December 2018	(1,465,558)
Impact of discounting using the incremental borrowing rate (IBR) on transition	379,674
Adjustments as a result of a different treatment of extension and termination options	713
Lease liability recognised as at 1 January 2019	(1,085,171)

(b) Amounts recognised in the balance sheet

The Company has identified lease portfolios for land and other equipment as follows:

	31 December 2019 £	1 January 2019 £
Right-of-use assets		
Land	1,449,076	1,080,734
Other equipment	230	4,437
	1,449,306	1,085,171

Additions to the right-of-use assets during the 2019 financial year were £539,520 and depreciation £175,384.

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

11. Right-of-use assets and lease liabilities (continued)

(b) Amounts recognised in the balance sheet (continued)

	31 December 2019 £	1 January 2019 £
Lease Liabilities		
Current	(121,504)	(186,571)
Non-Current	(1,283,243)	(898,600)
	(1,404,747)	(1,085,171)

(c) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	31 December 2019 £	1 January 2019 £
Depreciation charge of right-of-use assets		
Land	(171,177)	-
Other equipment	(4,207)	-
	(175,384)	-
 Interest expense (note 7)	 (123,293)	 -

During the year ended 31 December 2019, the Company had a total cash outflow of £343,237 on qualifying leases.

The financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of £539,520.

12. Investments

	31 December 2019 £	31 December 2018 £
Cost		
At 1 January and 31 December	1	1

The Company has a 100% interest in the ordinary share capital of Greenpark Energy Transportation Limited, a company incorporated in England, which has been dormant since its formation.

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

13. Inventories

	31 December 2019 £	31 December 2018 £
Oil stock	135,061	109,754
Total inventories	135,061	109,754

14. Other receivables

	31 December 2019 £	31 December 2018 £
Amounts due from Group undertakings	10,689,210	11,681,396
Other receivables	9,084	90,663
Prepayments	119,965	197,198
Total other receivables	10,818,259	11,969,257

Payment terms for balances due from Group undertakings are as mutually agreed between the companies within the IGas Energy plc Group.

The carrying value of the Company's financial assets as stated above is considered to be a reasonable approximation of their fair value. No provision for doubtful debts or provision for impairment is required (2018: £nil).

15. Trade and other payables

	31 December 2019 £	31 December 2018 £
Trade creditors	(88,538)	(15,000)
Amounts due to Group and affiliate undertakings	(63,394,355)	(60,304,885)
Accruals and deferred income	(186,837)	(60,523,865)
Total trade and other payables	(63,669,730)	(60,304,885)

Payment terms for balances due to Group undertakings are as mutually agreed between the companies within the IGas Energy plc Group.

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

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

16. Other provisions

	31 December 2019 £	31 December 2018 £
Decommissioning		
1 January	(6,624,104)	(6,120,901)
Utilisation of provision	438,774	-
Reassessment of decommissioning provision (note 9 and 10)	(1,865,106)	(332,951)
Unwinding of discount (note 8)	(205,835)	(170,252)
31 December	(8,256,271)	(6,624,104)

The Company spent £438,774 on decommissioning during the year.

Provision has been made for the discounted future cost of abandoning wells and restoring sites to a condition acceptable to the relevant authorities. This is expected to take place between 1 to 28 years from year-end (2018: 2 to 19 years). The provisions are based on the Company's internal estimate as at 31 December 2019. Assumptions are based on the current experience from decommissioning wells which management believes is a reasonable basis upon which to estimate the future liability. The estimates are reviewed regularly to take account of any material changes to the assumptions. Actual decommissioning costs will ultimately depend upon future costs for decommissioning which will reflect market conditions and regulations at that time. Furthermore, the timing of decommissioning is uncertain and is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend on factors such as future oil and gas prices, which are inherently uncertain.

A risk free rate range of 1.27% to 3.03% is used in the calculation of the provision as at 31 December 2019 (2018: Risk free rate range of 1.22% to 3.01%).

17. Called up share capital

	Par value p/share	2019 shares	2018 shares	2019 £	2018 £
Issued and fully paid					
1 January	£1	13,031	13,031	13,031	13,031
31 December	£1	13,031	13,031	13,031	13,031

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.

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

18. Share premium and accumulated deficit

	31 December 2019 £	31 December 2018 £
Share premium		
At 31 December	3,675,964	3,675,964
Accumulated deficit		
At 1 January	(27,443,475)	(23,863,144)
Loss for the year	(4,637,584)	(3,580,331)
At 31 December	(32,081,059)	(27,443,475)

19. Financial instruments and risk management

Financial instruments by category

The fair value of financial assets and liabilities is as follows:

Loans and receivables

	31 December 2018 £	31 December 2018 £
Trade and other receivables excluding prepayments	10,697,872	11,772,059
Cash and cash equivalents	48,118	44,966
	10,745,989	11,817,025

Other financial liabilities at amortised cost

	31 December 2019 £	31 December 2018 £
Trade and other payables excluding accruals and deferred income	62,482,893	60,319,885
	62,482,893	60,319,885

Fair value hierarchy

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

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

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

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

At reporting date the Company had no financial assets and liabilities that met the fair value hierarchy categories (2018: none)

20. Commitments

(a) Non-cancellable operating leases

The Company leases land and other equipment under non-cancellable operating leases. From 1 January 2019, the Company has recognised right-of-use assets for these leases, except for short-term and low-value leases. See note 11 for further information.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 December 2019 £	31 December 2018 £
Within one year	-	186,764
Between two and five years	-	747,056
After five years	-	531,738
Total future minimum rentals payable	-	1,465,558

The minimum lease payments under operating leases recognised in operating loss for the year is disclosed in note 4.

(b) Capital commitments

The Company's capital commitments relate to spend committed but not spent on conventional and unconventional licences as follows:

	31 December 2019 £	31 December 2018 £
Conventional	12,906	5,000
Unconventional	-	3,626
Total commitments	12,906	8,626

IGas Energy Development Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019 (continued)

21. Related party disclosure

Related party transactions

The below transactions were carried out with related parties. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Outstanding balances are settled in cash.

	31 December 2019 £	31 December 2018 £
Amounts due to related parties:		
At 1 January	(48,623,489)	(49,634,993)
Services performed (for)/by Group undertakings	(2,916,325)	527,538
Net cash advances	(63,934)	(105,738)
IGas Energy plc Group loan interest	(196,955)	(196,955)
Revaluation	(904,442)	786,659
At 31 December	(52,705,145)	(48,623,489)

	31 December 2019 £	31 December 2018 £
Amounts due from Group and affiliate undertakings (note 13)	10,689,210	11,681,396
Amounts due to Group and affiliate undertakings (note 14)	(63,394,355)	(60,304,885)
Total related party transactions	(52,705,145)	(48,623,489)

22. Key management compensation

Key management include all Directors. No compensation has been paid or is payable to such individuals (2018: £nil).

23. Subsequent events

There have been no events since the balance sheet date that require disclosure.

24. Ultimate parent undertaking

The Company's immediate parent undertaking is Dart Energy (Europe) Limited and its ultimate parent undertaking is IGas Energy plc. The Company is consolidated within both of these financial statements which are publicly available either from the ultimate parent undertaking's website at www.igasplc.com or their respective registered offices.