

Annual Report and Financial Statements  
**EUROPA OIL & GAS (HOLDINGS) plc**

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**For the year ended 31 July 2016**

**Company registration number 5217946**

# Highlights

## Operational highlights

- Proceeding with development of Wressle discovery in North Lincolnshire with production expected to commence early 2017
- Three new UK onshore awards in 14<sup>th</sup> Round (one subsequently declined)
- Five new Licensing Options ('LOs') awarded offshore Ireland
- Europa estimates 2.1 billion barrels of oil equivalent ('boe') and 1.5 tcf gas gross mean unrisks prospective and indicative resources on new Irish LOs
- 100% interest and operatorship secured for FEL 2/13 and FEL 3/13 offshore Ireland following transfer from Kosmos
- Mean unrisks NPV10 of US\$7 billion for 100% interest in three prospects with 1.5 billion boe in FEL 3/13 provided by ERC Equipoise
- Positive Holmwood planning decision, preparatory work for drilling in 2017 underway
- Farmout of 7.5% of PEDL143 licence; Europa retains 32.5% interest, paying 25% of the Holmwood exploration well up to a gross cost of £3.2m
- 123 boepd produced from UK onshore (2015: 141 boepd)

## Financial performance

- Group revenue of £1.3m (2015: £2.2m)
- 33% reduction in cost of sales from lower operating costs
- 39% reduction in administrative expenses from non-recurring 2015 items and other savings
- Pre-tax loss excluding exploration write-off and impairment of £0.7m (2015: loss £0.8m)
- Pre-tax loss of £1.9m after £1.2m exploration write-off in Béarn des Gaves (2015: loss £4.1m after £2.2m exploration write-off in PEDL181 and £1.1m impairment against the West Firsby field)
- Post-tax loss for the year £1.6m (2015: loss £1.8m)
- Cash used in operating activities £0.3m (2015: cash used £0.3m)
- Net cash balance as at 31 July 2016 £1.7m (31 July 2015: £3.2m)

## Post reporting date events

- Extension of phase 1 of FEL 2/13 and FEL 3/13 licences to 4 July 2017
- Acquisition of Shale Petroleum (UK) Limited (renamed as "Europa Oil & Gas (UK) Limited") increasing Europa's interest in PEDL299 (including the Hardstoft oil field) to 33.32% and in PEDL343 (containing the Cloughton gas discovery) to 45%
- Elected not to accept the award of PEDL286 in the southern Cleveland basin
- Wressle and Broughton North CPR published
- Sold 3.34% interest in PEDL180 (Wressle) and PEDL182 (Broughton North) to Union Jack Oil plc for £0.6m cash

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Europa Oil & Gas (Holdings) plc is an AIM listed exploration and production company focused on Europe. It offers an attractive mix of high impact exploration offshore Ireland, supported by exploration, appraisal and production onshore UK.

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## Chairman's statement

“Our focus in the last year has been on managing our costs and asset base to ensure we remain fully funded for future operations and this will continue in 2017.”

Cost reductions achieved:  
Cost of sales 33%  
Administrative expenses 39%

With the low oil price environment seen in the 12 months to 31 July 2016, we have been concentrating on reducing our cost base through a number of operational efficiencies and voluntary temporary salary reductions amongst head office staff. These changes have resulted in a year on year 33% reduction in our cost of sales and a 39% reduction in our administrative expenses. Despite this reduction in costs, Hugh and the team have continued with our programme of selectively expanding Europa’s portfolio and maturing its assets.

Highlights during this period have included:

- The addition of two new licences onshore UK, which contain hydrocarbon discoveries and where gas and oil appraisal opportunities have been identified.
- The addition of five new Licensing Options offshore Ireland, including the strategically important exploration block LO 16/2 adjacent to our FEL 3/13 licence in the Porcupine basin. This acreage was awarded in the first phase of the recent Atlantic Margin Licensing Round, which was a highly competitive process, with awards being granted to a number of major international oil companies, including Eni, ExxonMobil, Nexen, Statoil, Woodside and BP. The other LOs awarded in the second phase cover acreage near the Corrib gasfield; near our existing FEL 2/13 licence in the South Porcupine basin; and in the Padraig basin.
- Europa has already identified significant potential resources across the new licences totalling 2.1 billion boe and 1.5 tcf gas (gross mean unrisks prospective and indicative resources). Work continues on the farm-out process for our Irish acreage where we have seen considerable interest from major oil companies.
- The transfer of interest from Kosmos such that Europa now holds 100% and is operator of FEL 2/13 and FEL 3/13 offshore Ireland with a further 2.1 billion boe gross mean unrisks prospective and indicative resources.
- Work continues on the development of Wressle with first production expected early in 2017.
- Successful planning approval was obtained for an exploration well at Holmwood, which is a conventional prospect with gross mean unrisks prospective resources of 5.6 million boe. Located in the Weald basin, near the recent drilling success at Horse Hill, Holmwood is a very exciting prospect for Europa and its partners. Following the farm-out Europa retains a 32.5% interest in the PEDL143 licence and will pay 25% of the Holmwood well up to a gross cost of £3.2 million. Work continues on well planning and we anticipate drilling in 2017.

These activities are part of our ongoing programme to mature and grow our portfolio of prospects and leads and most importantly prove these up via the drill bit. We also continue to evaluate potential corporate transactions to follow on from the farmout of Holmwood and the post year end acquisition of Shale Petroleum (UK) Limited and sale of interest in PEDL 180 and PEDL182.

All of this has been against a backdrop of continued low oil prices which has seen the price achieved for sales during the 12 months to end July 2016 average US\$41.5 per barrel (2015: US\$68.2). Europa’s board continues to work hard to maximise efficiencies and to avoid incurring debt for its activities, preferring to farmout exploration obligations and/or monetise assets wherever possible. Our focus in the last year has been on managing our cost and asset base to ensure we remain fully funded for future operations and this strategy will continue in 2017.

### Financials

The fall in oil price has a direct effect on our revenues and the average of 123 boepd recovered from our UK onshore fields generated £1.3 million in revenues (2015: 141 boepd and £2.2 million). Net cash spent on operations was £0.3 million (2015: cash spent £0.3 million). Our cash balance at the end of July 2016 was £1.7 million (31 July 2015: £3.2 million).

## Europa Oil & Gas (Holdings) plc

If Wressle were to produce at the expected initial flowrate of 500 bopd gross, even at today's sub US\$50 per barrel oil price, Europa will return to a positive operating cashflow. It should be noted that following the March 2016 UK Budget which halved the Supplementary Charge with effect from 1 January 2016, Europa's future profits would be taxed at 40% (previously 50%).

Oil and gas exploration onshore France is frustrated by the French Government's lack of support for the industry. This is demonstrated by the continuing delay, since February 2015, in approving Europa's farmout of the Tarbes val d'Adour permit interest to Vermillion. In fact no onshore France permits have been issued or renewed in the past 12 months. Europa will continue to progress its operations in France, but has taken the decision to write down the carrying value of the Béarn des Gaves permit to nil – resulting in an exploration write-off in the current period of £1.2 million (2015: Exploration write-off £2.2 million for the Kiln Lane well and impairment of the producing West Firsby field £1.1 million).

### Outlook

The continuing low oil price presents challenges for all E&P companies, but I am confident that through a combination of cost efficiencies and sound asset management Europa is now well poised to deliver growth by maturing its diverse portfolio of assets. Through the recent awards in Ireland and the UK, Hugh and the team have developed a pipeline of licence interests at various stages of maturity, which will provide cashflow to cover corporate overheads and, in some cases, have the exploration potential to be company makers. I am very excited by the Irish acreage position we have put in place and the arrival of the majors and supermajors in the last licensing round indicates that the basin is seen as having strong potential. This bodes well for our ongoing farmout discussions.

We have seen the results of the initial technical work on our Porcupine basin interests translated into prospective resources confirmed by a Competent Persons Report ("CPR") on FEL 3/13 with Europa exposed to 1.5 billion boe of gross mean unrisks prospective resources with a mean Risked NPV10 of US\$7 billion. This excludes the recently awarded LO 16/2 with a further 895 million boe and FEL 2/13 with 595 million boe of gross mean unrisks prospective resources.

In the UK, with Wressle moving from discovery to producer, we are poised to see an increase in production, revenue and cashflow, which should coincide with work preparing for the exploration well at Holmwood.

I would like to thank the management, operational teams, my fellow Board members and our advisers for their hard work over the year.

Finally I would like to reiterate my thanks to our shareholders for their continued support during what has been a challenging year for all of the oil and gas sector, but particularly small exploration and production companies like Europa.

Colin Bousfield,

Non executive Chairman

30 September 2016

## Year in Review

### A year of continued progress

#### **Two new UK onshore awards in 14<sup>th</sup> Round**

The new awards comprise a mix of field rejuvenation and appraisal assets and build on our technical and commercial experience in the East Midlands and Cleveland basin. Both new licences have strong partner groups and we are excited by the opportunity to take these new assets forward.

#### **Five new licensing options awarded offshore Ireland**

Europa has substantially grown its position in Ireland through successful applications in the 2015 Atlantic Margin Licensing Round to become a leading exploration company in the Atlantic basins offshore Ireland. This was achieved against stiff competition from the majors. Many of our new neighbours are strong companies who have undertaken, or will be undertaking, significant exploration programmes including 3D seismic and exploration drilling which will enhance technical and commercial appreciation of the basins and Europa's licences. Our priority in the short term is to secure a farm-in partner for our South Porcupine licences with whom we can drill one or more of the drill-ready prospects we have already identified using our state of the art 3D seismic.

#### **Two existing licences FEL 2/13 and FEL 3/13 offshore Ireland extended and now at 100% interest**

Recent discoveries offshore Newfoundland and Senegal, backed up by our own technical analysis of our proprietary 3D seismic, demonstrate the clear potential for both FEL 2/13 and 3/13 to hold new exploration plays and new exploration prospects in addition to the Cretaceous play that we have already identified

**Europa's portfolio of seven offshore Ireland licences cover 5,818 km<sup>2</sup> and are estimated to hold combined gross mean unrisked prospective and indicative resources of 4.2 billion barrels of oil equivalent and 1.5 tcf of gas in various prospects in the Cretaceous fan, pre-rift, syn-rift and Triassic plays.**

#### **Positive Holmwood planning decision, enabling us to prepare for drilling in 2017**

With gross mean unrisked prospective resources of 5.6 million barrels of oil, as estimated in a CPR published in June 2012, and a one in three chance of success, we regard Holmwood as one of the best undrilled conventional prospects in onshore UK.

**Farmout of 7.5% of our PEDL143 licence. Europa interest is now 32.5%, paying 25% of the cost of the Holmwood exploration well up to a gross well cost of £3.2m.**

#### **Proceeding with Wressle development**

We are very confident in the reservoir engineering analysis that indicates initial production rates in excess of 500 bopd could be achieved from the Ashover Grit interval at Wressle. Were production to come in at or around this level, our interest in the field would transform our existing production, reserves and revenue profile.

#### **Acquisition of Shale Petroleum (UK) Limited post year end bolsters equity**

As a consequence of this acquisition Europa has increased its equity interest in PEDL299 and PEDL343 to 33.32% and 45% respectively. Europa has purchased 100% of the issued share capital of Shale Petroleum (UK) Limited, a subsidiary of Shale Petroleum Limited ("SPL") a privately held Canadian independent oil & gas explorer headquartered in Calgary.

## Strategic report - Our strategy

### **Creating value**

Europa's objective is to generate substantial shareholder value by finding and producing oil and gas.

### **Our strategy**

#### Shareholder value

Generate Shareholder Value by finding and producing oil and gas

#### Manage portfolio

Actively manage the exploration portfolio and make informed technical and commercial decisions on project progression

#### Areas of interest

Onshore Europe, North Atlantic and the Mediterranean are our principal areas of interest

#### Maximise investor value

Exit projects at the point of maximum value for investors

#### Manage risk

Maximise shareholder value while managing risk

### **Strategy**

To increase the probability of success whilst managing risk, a disciplined approach to the management of the Company's hydrocarbon assets is applied at all stages of the life of a licence. The Company is committed to taking commercial decisions on the entire asset base with management focused on exiting projects at the point of maximum value for investors through the rigid application of a drill, drop, dilute or divest policy. Europa's highly prospective exploration portfolio is actively managed with each project being subjected to first class technical as well as commercial analysis allowing management to make informed decisions on whether individual projects ought to be pushed down the exploration and production funnel or out of it.

Management recognises the need to repopulate and replenish the asset base with new licences as existing projects are progressed along the development curve. An acceptable risk/reward profile for an individual project depends on its impact on the overall portfolio, the balance of assets at the time and the objective of the Company. Industry leading portfolio management methodologies are deployed to ensure the risk/reward trade-off inherent in the portfolio is transparent to ensure shareholder value is maximised.

Europe is the current geographic focus. However management is prepared to evaluate and acquire quality assets wherever they become available preferably in countries that are politically stable, have transparent licensing processes, and offer acceptable commercial terms.

## Strategic report - Our strategy (continued)

### Our key performance indicators

#### Financial KPIs

1. Revenue
2. Profit
3. Cash from operations
4. Net cash balance

Financial analysis is provided in the Chairman's Statement (page 3)

#### Non-financial KPIs

1. Health, safety and environmental measures
2. Production (boepd and non-productive time)
3. Progress with all the licences in which the Group has interests
4. Participation in ongoing and future licensing rounds

### Operations and development

The principal activity of the Group is investment in oil and gas exploration, development and production. The Group's assets and activities are located in the United Kingdom, Ireland and France. The Board regards Atlantic Margin Ireland and onshore UK as core areas where we are actively seeking to build our portfolio. The Board has considered and will continue to consider investments in onshore Europe, North Atlantic and the Mediterranean.

### Our portfolio

Country	Area	Licence	Field/ Prospect	Operator	Equity	Status
Ireland	South Porcupine	FEL 2/13	Doyle A/B/C, Heaney	Europa	100%	Exploration
		FEL 3/13	Beckett, Wilde, Shaw	Europa	100%	Exploration
		LO 16/2	3 prospects	Europa	100%	Exploration
		LO 16/19	2 leads	Europa	100%	Exploration
	Slyne basin	LO 16/20	2 leads	Europa	100%	Exploration
		LO 16/21	4 leads	Europa	100%	Exploration
	Padraig basin	LO 16/22	6 leads	Europa	100%	Exploration
UK	East Midlands	DL 003	West Firsby	Europa	100%	Production
		DL 001	Crosby Warren	Europa	100%	Production
		PL 199/215	Whisby-4	BPEL	65%	Production
		PEDL180	Wressle	Egdon	30% <sup>1</sup>	Development
		PEDL181		Europa	50%	Exploration
		PEDL182	Broughton North	Egdon	30% <sup>1</sup>	Exploration
		PEDL299	Hardstoft	Ineos	33.3%	Field rejuvenation
		PEDL343	Cloughton	Third Energy	45%	Appraisal
	Weald	PEDL143	Holmwood	Europa	32.5%	Exploration
	SNS	Block 41/24	Maxwell	Europa	50%	Promote
France	Aquitaine	Béarn des Gaves	Berenx	Europa	100%	Exploration
		Tarbes val d'Adour		Vermilion	20%	Exploration

<sup>1</sup> Following the post year end sale to Union Jack Oil plc and assuming OGA approval

# Strategic report – Operations

## Expansion in Ireland

Europa has a 100% interest in, and is operator of 7 licences, covering 5,818 km<sup>2</sup>

Licence	Area km <sup>2</sup>	Basin	Term	Gross mean unrisks prospective and indicative resources	
				Oil million boe	Gas tcf
FEL 2/13	768	South Porcupine	Phase 1 of 15 year	595	
FEL 3/13	782	South Porcupine	Phase 1 of 15 year	1,500	
LO 16/2	523	South Porcupine	2 year	895	
LO 16/19	976	South Porcupine	2 year	700	
LO 16/20	945	Slyne basin	3 year		1.0
LO 16/21	832	Slyne basin	3 year		0.5
LO 16/22	992	Padraig basin	3 year	500	
<b>Total</b>	<b>5,818</b>			<b>4,190</b>	<b>1.5</b>

## **Exploration - Ireland**

Europa is now a leading operator in Irish exploration. We are ranked top for net operated area under licence (5,818 km<sup>2</sup>), equal top for number of operated licences (seven) and we were awarded more licences in the 2015 Atlantic Margin Licensing Round than any other operator (five).

### **South Porcupine / FEL 2/13; FEL 3/13; LO 16/2; LO 16/19**

In June 2016 we announced the receipt of consent from Ireland's Minister for Communications, Climate Action and the Environment for the transfer of interest in FEL 2/13 and FEL 3/13 from Kosmos Energy Ireland. Following the transfer, Europa has 100% interest in, and operatorship of both licences.

In February and May 2016 two additional LOs in the South Porcupine were awarded to Europa: LO 16/2 and LO 16/19.

In August 2016, we announced that phase 1 of FEL 2/13 and FEL 3/13 had been extended by one year to 4 July 2017. This extension allows us to mature existing prospects and perform detailed mapping of all potential prospective levels on both licences, including the pre-rift, syn-rift and post-rift plays, whilst continuing to seek a farmout partner for drilling.

Europa now has four licences in the South Porcupine basin, these can be considered as two licence pairs:

#### FEL 3/13 and LO 16/2 on the east flank of the basin

Europa identified three new pre-rift prospects in LO 16/2 which have combined gross mean unrisks prospective resources of 895 million boe. The pre-rift play has proved very successful in the Flemish Pass basin offshore Newfoundland and it is believed that this play may also be developed in the South Porcupine basin in addition to the Cretaceous fan play.

The three new prospects were mapped on Europa's proprietary 3D seismic which was acquired in 2013 and covers both FEL 3/13 and LO 16/2.

The Cretaceous fan play is developed in FEL 3/13. A CPR by ERC Equipoise confirmed gross mean unrisks prospective resources of 1.5 billion boe and unrisks NPV10 of US\$7 billion across three Cretaceous fan prospects on the licence: prospects Wilde, Beckett and Shaw. Prospect Wilde is considered drill ready. Wilde has a geological chance of success of 1 in 5, gross mean unrisks prospective resources are 428 million boe and the drill costs are estimated to be US\$37 million excluding mobilisation and demobilisation.

There is clear technical and commercial synergy between the two licences. The one year extension for FEL 3/13 phase 1 will enable completion of technical work and integration with LO 16/2. The combined audited and unaudited gross mean unrisks prospective resource of the two licences is almost 2.4 billion boe.

#### FEL 2/13 and LO 16/19 on the west flank of the basin

Europa has a 100% interest in FEL 2/13 and LO 16/19. FEL 2/13 contains a number of Cretaceous submarine channels mapped on Europa's proprietary 948 km<sup>2</sup> 3D seismic survey which cross the licence from west to east feeding submarine fans developed in LO 16/19. The seismic architecture of the channels in FEL 2/13 contain features consistent with sandstone deposition and Europa believes that these sandstones are also deposited in the fans in LO 16/19. In addition, there is evidence of gas escape features on seismic and sea bed pock marks suggesting the presence of an active source rock. BP well 43/13-1 drilled in 1998 approximately 20 km from LO 16/19 saw oil shows and encountered source rocks.

Four prospects (Doyle A, B, C and Heaney) were mapped on 3D seismic in FEL 2/13 with gross mean unrisks prospective resources of 595 million boe. There is potential for several Cretaceous submarine fans with a range of 300 million to 1 billion boe gross mean unrisks prospective resources in LO 16/19.

During the period of the LO Europa will further mature the prospect inventory and will seek a farm-in partner with which to convert to an FEL, acquire a 3D seismic survey and in due course drill an exploration well (subject to a positive technical and commercial outcome from the 3D seismic programme). The one year extension for FEL 2/13 phase 1 will enable completion of technical work and integration with LO 16/19.

Europa's experience in the basin leads the directors to believe that 3D seismic over LO 16/19 will profoundly change the prospect inventory and a positive outcome may not only provide greater clarity on prospect mapping and volumetrics, but may also substantially de-risk the prospects. Other operators are exploring for Cretaceous fans in the basin and any exploration drilling success in the Cretaceous fan play has the potential to further de-risk the prospects in all of Europa's South Porcupine licences.

### **Slyne basin / LO 16/20; LO 16/21**

## **Europa Oil & Gas (Holdings) plc**

Not everything offshore west Ireland is high risk, deepwater, frontier exploration. LO 16/20 and 16/21 in the Greater Corrib area of the Slyne basin represent exploration in a proven play, in the vicinity of the Corrib gas field that is newly on production and with substantial gas infrastructure already in place. The Greater Corrib play comprises Triassic sandstone reservoirs in tilted fault block structures with hydrocarbons generated from Carboniferous source rocks. Water depths range from 300 to 2,000 metres and the licences are partially covered by historic 3D seismic data as well as extensive 2D seismic.

Our strategy is to expedite exploration by reprocessing historic 3D seismic over LO 16/20 and LO 16/21, maturing leads to drillable prospect status and securing a farm-in partner with which to drill a low-cost, low-risk exploration well.

Gross mean unrisks prospective and indicative resources:

- LO 16/20 1.0 tcf gas
- LO 16/21 0.5 tcf gas

Clearly we are at a very early stage in the exploration cycle, however, equally clearly we have a well-defined work programme to de-risk the play. In particular it is hoped that successful reprocessing of historic 3D seismic might allow us to mature existing leads to drillable prospect status without the need to acquire new seismic data.

Prospect TR1 in LO 16/20 lies 16 km to the northwest of Corrib in water depths of 500 metres. Were the prospect to achieve drillable status it is expected that the geological chance of success will be high, drill costs will be low (reflecting the comparatively shallow water depth) and the proximity to gas infrastructure is potentially a very favourable factor.

### **Padraig basin / LO 16/22**

The Padraig basin is a remnant Jurassic basin on the eastern margin of the Rockall Trough. The most relevant analogue is the conjugate margin play offshore Newfoundland in the Flemish Pass basin. Good quality 1998 2D seismic suggest structures of significant size and multiple leads have been mapped in water depths ranging from 800 to 2,000 metres in both pre-rift and syn-rift hydrocarbon plays.

Gross mean unrisks indicative resources are estimated to be in the range of 300 to 600 million boe.

Our strategy is to expedite exploration by utilising the historic 2D seismic and wealth of high quality technical work previously performed by major oil companies to mature existing leads to drillable prospect status and secure a farm-in partner with which to drill an exploration well.

Following Statoil's exploration success at the play-opening Bay du Nord oil discovery in the Flemish Pass basin offshore Newfoundland, there is considerable industry interest in analogues offshore west Ireland. Whilst most of the industry is currently focused on exploring for this play in the South Porcupine basin our restoration of the conjugate margin prior to Atlantic seafloor spreading suggests the possibility that the Padraig basin may be a better fit with the Flemish Pass basin.

**Valuation – Ireland**

**US\$7 billion net mean unrisks NPV10 for FEL3/13 prospects**

ERCE's independent assessment of NPV followed their CPR on the Prospective Resources associated with the Wilde, Beckett and Shaw prospects on FEL 3/13 based on 3D seismic data acquired in 2013. These prospects are at the pre-drill stage and realisation of this potential value will require the drilling of exploration wells. ERCE estimates Unrisks and Risks NPV at a 10% discount rate (NPV10) for an uncarried 100% working interest as at 1 January 2015 for the Low, Best and High estimates of Prospective Resources as tabulated below:

Prospect	Gross Oil & Gas UnRisks Prospective Resources mmboc			Net Unrisks NPV10 (US\$ million)				Chance of Success	Net Risks NPV10 (US\$ million)
	Low	Best	High	Low	Best	High	Mean	%	Mean
Wilde	61	239	952	-170	122	5,595	1,676	19	318
Beckett	109	424	1,661	-170	1,692	11,628	4,114	15	617
Shaw	57	198	681	-170	110	4,631	1,302	13	169
<b>Total</b>							<b>7,092</b>		<b>1,105</b>

Notes:

1. The discounted cash flow analysis has been carried out assuming exploration drilling results in discovery of oil. However, due to the significant uncertainties in the available geological information, there is a possibility that exploration drilling, if successful, will result in the discovery of gas.
2. mmboc means millions of barrels of oil plus gas converted to oil using a conversion rate of six thousand cubic feet of gas for each barrel of oil.
3. "Gross Oil and Gas Un-risks Prospective Resources" are 100% of the volumes estimated to be recoverable from an undrilled prospect before applying the geological chance of success ("COS")
4. The COS is an estimate of the probability that drilling the prospect would result in a discovery
5. Prospective Resources are "Un-risks" in that the volumes have not been multiplied by the COS
6. Net Un-risks NPV10 means the NPV10 at 10% discount rate as at 1 January 2015 attributable to Europa's 100% working interest in the Prospect before multiplying by the COS
7. Net Risks NPV10 means the NPV10 at 10% discount rate as at 1 January 2015 attributable to Europa's 100% working interest in the Prospect after multiplying by the COS.
8. The analysis for the Best and High cases assumes the successful drilling of an exploration well on each prospect in 2017 followed in each case by appraisal drilling and then development.
9. The Low estimates of NPV10 for each prospect comprise the Net cost to Europa of an exploration and appraisal well, this is because discounted cash flow modelling of each of the Low cases resulted in a more negative NPV10.
10. The Mean estimate of the NPV10 for each prospect has been calculated by adding the Low, Best and High estimates of NPV10 weighted by 0.3, 0.4 and 0.3 respectively (the Swanson's Mean)
11. The NPV10 calculations presented in this report simply represent discounted future cash flow values. Though NPV estimates form an integral part of fair market value estimations; without consideration for the exploration risk factor (COS) and other economic criteria, including market perception of risk, they are not to be construed as opinions of fair market value.
12. The cash flows and NPV10 estimates were calculated assuming a nominal oil price of US\$57 bbl in 2015 rising to US\$87 bbl by 2019 and inflated at 2% thereafter.

## Exploration - UK

### East Midlands / PEDL181

In July 2016, Europa announced entry into the second phase of the licence – having fulfilled phase 1 work obligations by the drilling of the Kiln Lane well in 2015. Following analysis of seismic and geological data, together with the results of the Kiln Lane well, Europa elected to relinquish 380 km<sup>2</sup> of the licence. An area of 160 km<sup>2</sup> in the southeast of the licence was retained. The retained area provides exposure to the conventional and unconventional hydrocarbon potential of the Humber basin. It has technical synergy with the adjacent licence PEDL334 which was awarded to an Egdon led group in the 14<sup>th</sup> Round for the purpose of conventional and unconventional exploration.

### East Midlands / PEDL299 (Hardstoft)

PEDL299 contains the Hardstoft oil field. This was discovered in 1919 by the UK's first ever exploration well and produced 26,000 barrels of oil from Carboniferous limestone reservoir. A CPR on Hardstoft, issued by joint venture partner Upland Resources, identified gross 2C contingent resources of 3.1 million boe and gross 3C contingent resources of 18.5 million boe in PEDL299. Production testing methodologies for carbonate reservoirs have evolved since 1919 and our hope is that commercial oil flowrates can be obtained.

As a consequence of our acquisition of Shale Petroleum (UK) Limited post year end we have increased our equity from 16.66% to 33.32%. Europa's interest in PEDL299 is restricted to the conventional prospectivity, and Ineos are operator.

### East Midlands / PEDL343 (Cloughton)

PEDL343 (initially granted as PEDL348) was our top ranked block out of our three 14<sup>th</sup> Onshore Licensing Round applications. PEDL343 is operated by Third Energy and contains the Cloughton gas discovery made by Bow Valley. The 1986 exploration well flowed a small amount of gas to surface on production test from Carboniferous sandstone reservoirs. We regard Cloughton as a gas appraisal opportunity with the critical challenge being to obtain commercial flowrates from future production testing operations. The acquisition of Shale Petroleum (UK) Limited post year end increased our equity in the licence from 22.5% to 45%.

### Weald / PEDL143 (Holmwood)

PEDL143 contains the Holmwood conventional oil prospect. Europa regards this as one of the best undrilled prospects in onshore UK. Following the farmout to Union Jack Oil plc, we remain as operator with a 32.5% interest in the licence and have a partial carry on our share of the exploration well costs up to a cap of £3.2 million. The well is currently being planned for drilling in 2017.

The results of the Horse Hill well 12 km to the east of the Holmwood prospect in PEDL137 are relevant. Horse Hill is along-strike from Holmwood in a very similar geological structure. Correlation of seismic data indicates that the Holmwood well will penetrate a similar stratigraphic section to that at Horse Hill. Whilst we cannot guarantee that Holmwood will encounter similar hydrocarbons to Horse Hill the results are encouraging.

In addition to producing oil from Portland sandstone reservoirs, Horse Hill also produced oil from micritic limestone formations in the Kimmeridge section. This is an interesting development. One of the peculiarities of limestone reservoir rocks (compared with sandstones) is that typically there are no, or very weak, direct hydrocarbon shows whilst drilling and often only inconclusive indications of hydrocarbons on electric logs. It is therefore encouraging that perseverance at Horse Hill yielded 1,365 bopd aggregate flowrate from two limestone intervals. It is possible that the micritic limestone may be a "missed pay" in the Weald basin.

Whilst the results of Horse Hill are encouraging our estimate of geological chance of success is unchanged at 1 in 3 and our guidance for gross mean prospective resources remains at 5.6 million boe with a range of 1 to 11 million barrels. At 5.6 million boe, Holmwood would be the fifth largest onshore field in UK history.

### Southern North Sea / Block 41/24

This is a promote licence awarded in July 2015 over Block 41/24 in the Southern North Sea to a joint venture comprising Europa and Arenite Petroleum Limited. The licence was awarded as part of the 28<sup>th</sup> Seaward Licensing Round. Block 41/24 adjoins the Yorkshire coast and contains the Maxwell gasfield which was discovered in Permian Zechstein carbonates by Total with the drilling of offshore well 41/24a-1 in 1969. Two follow-up appraisal wells: 41/24a-2 drilled by Total (1981) and 41/24-3 by Conoco (1992) targeted this fractured Zechstein carbonate reservoir and flowed gas and condensate. The exploration emphasis of the licence is to address the Carboniferous prospectivity in the Namurian and Dinantian sequences. The adjoining onshore extension of the Cleveland basin contains a number of gas fields and discoveries including Kirby Misperton, Ebberstone Moor and Cloughton.

## **Europa Oil & Gas (Holdings) plc**

The promote licence is for two years duration and requires financial, technical and environmental capacity to be in place and a firm drilling (or agreed equivalent substantive activities) commitment to have been made by the end of the second year.

### **Development - UK**

#### **East Midlands / PEDL180 (Wressle); PEDL182 (Broughton North)**

The operator Egdon continues to bring the Wressle oil discovery forward to development. Reservoir engineering analyses indicate an initial production flow rate of 500 bopd gross from the Ashover Grit interval, which even at sub US\$50 per barrel oil prices, will return Europa to a positive operating cashflow. An application for planning permission and applications for Environment Agency permits were submitted in June 2016. The Field Development Plan ('FDP') was submitted on 8 September 2016 and a CPR issued on 26 September. On 27 September Europa announced the sale of 3.34% interest in PEDL180 and PEDL182 to Union Jack Oil plc for a cash consideration of £600,000. The transaction implies a mark to market value of £5.4 million for Europa's remaining 30% interest in the licences. The CPR identifies gross 2P reserves of 0.65 mmbobe in the Ashover and Wingfield Flags and gross 2C contingent resources of 1.86 million boe in the Penistone Flags on the Wressle structure; and gross mean unrisks prospective resources of 0.6 million boe at the Broughton North exploration prospect.

### **Production - UK**

#### **East Midlands / West Firsby; Crosby Warren; Whisby-4**

Production from the three fields declined in line with expectations. In the year 123 boepd were recovered, down from 141 boepd in 2015. The change to beam pumps (nodding donkeys) away from jet pumps at West Firsby, and successful rateable vale appeals were the main drivers of the 33% reduction in cost of sales which was achieved. The pump change enabled savings in utility costs, chemicals and the need for interventions in order to keep the field producing.

### **Exploration - France**

#### **Aquitaine / Tarbes val d'Adour**

Europa announced a farmout to Vermilion Energy on 16 February 2015. The farmout agreement being subject to the relevant approvals from the French authorities:- for the transfer of equity and operatorship to Vermilion and the granting of an extension to the permit. The approvals processes started in 2014.

We continue to try to progress the necessary approvals, but we believe that it is prudent at this stage to assume that the relevant approvals will not be forthcoming.

#### **Aquitaine / Béarn des Gaves / Berenx**

The current phase of the permit expires in March 2017. Although we successfully obtained a farmin partner for Tarbes Val d'Adour we have been unable to find a partner for Béarn des Gaves. It is unlikely that we will be able to conclude a farmin in the time remaining, and even if we did, it is unlikely that we could obtain the necessary approvals and extension from the French authorities. We have therefore decided to write-off the carrying value of the permit in the current year.

### **Financials**

With a small contribution from the Wressle testing our production this year averaged 123 boepd and generated £1.3 million in revenues (2015: 141 boepd and £2.2 million). The average oil price achieved in the year was US\$41.5 per barrel (2015: US\$68.2).

As announced last year, while most of the costs associated with our production are fixed in nature we implemented various cost saving measures to help mitigate the effect of the falling oil price and as a result we have reduced cost of sales to £1.3 million (2015: £1.9 million). The cost of sales savings arise partly from lower production rates, successful appeals against property rateable values, and from the switch to nodding donkeys, as opposed to jet pumps, at West Firsby.

Administrative expenses also showed a significant reduction at £0.6 million (2015: £1.0 million). Some of the saving occurred as a result of the non-recurrence of 2015 costs associated with licence applications and the Tarbes farmout. Material savings arose from a voluntary, temporary, salary reduction agreed with head office staff. There were further savings generated from the sublet, and eventual sale, of the Abingdon property.

Our cash balance at 31 July 2016 stood at £1.7 million (31 July 2015: £3.2 million)

**Europa Oil & Gas (Holdings) plc**

**Result for the year**

The Group loss for the year after taxation from continuing activities was £1,638,000 (2015: £1,784,000)

## Strategic report – Risks and uncertainties

Europa's activities are subject to a range of financial risks including commodity prices, liquidity, exchange rates and loss of operational equipment or wells. These risks are managed with the oversight of the Board and the Audit Committee through ongoing review taking into account the operational, business and economic circumstances at that time. The primary risk facing the business is that of liquidity.

Key risk	Description and impact	Mitigation
<b>Funding</b>	<p>Significant expenditure is required to establish the extent of oil and gas reserves through seismic surveys and drilling and there can be no certainty that oil and gas reserves will be found. The exploration and development of oil and gas assets may be curtailed, delayed or cancelled by unusual or unexpected geological formation pressures, hazardous weather conditions or other factors.</p> <p>Licences may be revoked by the relevant issuing authority if commitments under those licences are not met. Further details of current licence commitments are given in notes 11 and 24.</p>	<p>Detailed cash forecasts are prepared frequently and reviewed by management and the Board.</p> <p>The Group's production provides a monthly inflow of cash and is the main source of working capital and project finance. Additional cash is available through the placing of Europa shares in the market and the trading of assets.</p>
<b>Commodity price and foreign exchange</b>	<p>Each month's oil production is sold at a small discount to Brent price in US Dollars. These funds are matched where possible against expenditures within the business. As most capital and operating expenditures are Sterling denominated, US Dollars are periodically sold to purchase Sterling. A fall in oil price could make some projects economically unviable.</p> <p>All oil production is sold to one UK based refinery – if they were to stop buying Europa's crude, additional transportation costs would be incurred.</p>	<p>The Board has considered the use of financial instruments to hedge oil price and US Dollar exchange rate movements. To date, the Board has not hedged against price or exchange rate movements, but intends to regularly review this policy.</p>
<b>Exploration, drilling and operational risk</b>	<p>The business of exploration and production of oil and gas involves a high degree of risk. Few prospects that are explored are ultimately developed into producing oil and gas fields.</p> <p>Securing planning consent for onshore wells takes times and the outcome of planning applications is not certain.</p> <p>There are numerous risks inherent in drilling and operating wells, many of which are beyond the Company's control. Operations may be curtailed, delayed or cancelled as a result of environmental hazards, industrial accidents, occupational and health hazards, technical failures, shortage or delays in the delivery of rigs and other equipment, labour disputes and compliance with governmental requirements.</p> <p>Drilling may involve unprofitable efforts, not only with respect to dry wells, but also to wells which, though yielding some oil or gas, are not sufficiently productive to justify commercial development. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.</p>	<p>Current production comes from 5 oil wells located at 3 different sites. This diversity of producing assets gives Europa resilience in the event of a problem with one well, or site.</p> <p>Appropriate insurance cover is obtained annually for all of Europa's exploration, development and production activities.</p>

On behalf of the Board

Phil Greenhalgh, Finance Director  
30 September 2016

## Governance – Board of Directors

### **William Ahlefeldt, Non-executive Director**

William helped take Europa onto AIM and remains its largest shareholder. He started his career at Maersk as a petroleum engineer followed, in 1987, by IPEC, a London based consultancy, where he was responsible for field reserves estimations. In 1990, he became an independent consultant, undertaking field and portfolio evaluations for acquisitions and field development work on a range of projects in the North Sea, former Soviet Union and Middle East. He is also the founder of IFX Infoforex. William has continued to be active in petroleum engineering consulting, carrying out portfolio evaluations and project management.

### **Colin Bousfield, Non-executive Chairman**

Colin is an Associate of the Chartered Institute of Banking having spent over 30 years in banking with Barclays, Bank of Scotland, RBS and Commonwealth Bank of Australia, primarily involved in providing finance and corporate advice to oil and gas companies. Colin was CFO for a private unconventional resources group active in Europe, Composite Energy, prior to its sale to Dart Energy Ltd of Australia. He was then CFO for a European onshore drilling services company, Geometric Drilling Ltd, prior to its sale to the Entrepose Contracting group.

### **Roderick Corrie, Non-executive Director**

Roderick is a graduate of Cambridge University and an Associate of the Chartered Institute of Banking. He is a strategic adviser and financier with a variety of companies and holds or has held executive or non-executive roles in corporate finance, strategic advice, TV advertising, financial services, health, property, internet services, mineral exploration & development, investment and manufacturing companies.

### **Phil Greenhalgh, Finance Director**

Phil graduated from Imperial College with a BEng in chemical engineering and subsequently became a member of the Chartered Institute of Management Accountants. He began his financial career as Financial Controller with Kelco International, a subsidiary of Merck & Co. He moved to Monsanto plc before becoming Finance Director with Pharmacia Ltd. He moved to Whatman plc, a FTSE 250 company, where he led the financing of a €50m acquisition, oversaw a substantial share price recovery and was a key player in the Whatman turnaround.

### **Hugh Mackay, CEO**

Hugh, a geologist who joined Europa in 2011, has a wealth of experience in the oil and gas sector, including eight years at BP in a variety of roles in the UK, Oman and Egypt, then at Enterprise Oil in leadership roles, culminating as head of the SE Asia division. Hugh sold the Peak Group to AGR ASA for US\$50 million and founded Avanna Resources, a leading mineral exploration company in Greenland. Hugh has a BSc in Geology from the University of Edinburgh and a Sloan MSc in Management from London Business School.

# Directors' report

## Business review

A detailed review of the Group's business is set out in the Chairman's statement (page 3) and Strategic report (page 7).

## Future developments

Details of expected future developments for the Group are set out in the Chairman's statement (page 3) and Strategic report (page 7).

## Dividends

The Directors do not recommend the payment of a dividend (2015: £nil).

## Directors and their interests

The Directors' interests in the share capital of the Company at 31 July were:

	Number of ordinary shares		Number of ordinary share options	
	2016	2015	2016	2015
CW Ahlefeldt-Laurvig <sup>1</sup>	35,002,442	25,502,442	-	-
C Bousfield	273,958	273,958	500,000	500,000
RJHM Corrie <sup>2</sup>	805,287	574,739	650,000	500,000
P Greenhalgh	520,973	520,973	4,275,000	3,075,000
HGD Mackay	3,370,906	2,507,549	8,200,000	6,600,000

1. CW Ahlefeldt-Laurvig holds his shares with HSBC Global Custody Nominee (UK) Limited.
2. RJHM Corrie has interest in 663,396 shares held directly, plus 79,200 shares held by Corrie Limited, of which Mr Corrie is a Director and 62,691 shares held via a 50% interest in RT Property Investments Limited.

In addition to their interest in the ordinary shares of the Company, C Bousfield and RJHM Corrie hold stock options. These options were awarded in connection with their appointment to the Board, with a further 150,000 options granted to RJHM Corrie this year. Full details of the options are included in note 21. The Board has listened to comments raised by certain investors and discussed the subject with advisers. Whilst recognising that the granting of options to non-executive Directors is contrary to the principles of the UK corporate governance code the Board considers that the quantum of options granted is not so significant as to raise any issue concerning the independence of these Directors. In addition, the Board wishes to retain the ability to grant stock options to non-executive Directors in future.

Details of the vesting conditions of the Directors' stock options are included in note 21.

## Directors' interests in transactions

No Director had, during the year or at the end of the year, other than disclosed above, a material interest in any contract in relation to the Group's activities except in respect of service agreements.

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

## Directors' report (continued)

### **Financial instruments**

See note 1 and note 22 to the financial statements.

### **Related party transactions**

See note 25 to the financial statements.

### **Post reporting date events**

See note 26 to the financial statements.

### **Capital structure and going concern**

Further details on the Group's capital structure are included in note 20. Comments on going concern are included in note 1.

### **Accounting policies**

A full list of accounting policies is set out in note 1 to the financial statements. The Group has not made any material changes to its accounting policies in the year to 31 July 2016.

### **Disclosure of information to the auditor**

In the case of each person who was a Director at the time this report was approved:

- So far as that Director was aware there was no relevant available information of which the Company's auditor was unaware.
- That Director had taken all necessary steps to make themselves aware of any relevant audit information, and to establish that the Company's auditors was aware of that information.

### **Auditor**

A resolution to re-appoint the auditor, BDO LLP will be proposed at the next Annual General Meeting.

On behalf of the Board

Phil Greenhalgh, Finance Director

30 September 2016

# Statement of Directors' responsibilities

## **Directors' responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company 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 Group and Company and of the profit or loss of the Group for that year. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of 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.

## **Website publication**

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Report of the independent auditor

## **Independent auditor's report to the members of Europa Oil & Gas (Holdings) plc**

We have audited the financial statements of Europa Oil & Gas (Holdings) plc for the year ended 31 July 2016 which comprise the consolidated statement of comprehensive income, the consolidated and Company statement of financial position, the consolidated and Company statement of changes in equity, the consolidated and Company statement of cashflows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of Directors and auditors**

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

## **Opinion on financial statements**

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 July 2016 and of the Group's loss for the year then ended;
- The group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Report of the independent auditor (continued)

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Scott Knight, Senior Statutory Auditor  
For and on behalf of BDO LLP, statutory auditor  
London, United Kingdom  
30 September 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Consolidated statement of comprehensive income

For the year ended 31 July

	Note	2016 £000	2015 £000
Revenue	2	1,269	2,205
<i>Cost of sales</i>	2	(1,282)	(1,900)
<i>Exploration write-off</i>	11	(1,162)	(2,205)
<i>Impairment of producing fields</i>	12	-	(1,100)
Total cost of sales		<u>(2,444)</u>	<u>(5,205)</u>
<b>Gross loss</b>		<b>(1,175)</b>	<b>(3,000)</b>
Administrative expenses		(593)	(975)
Profit/(loss) on fixed asset disposal	6	28	(2)
Finance income	7	64	55
Finance expense	8	(228)	(208)
<b>Loss before taxation</b>	3	<b>(1,904)</b>	<b>(4,130)</b>
Taxation credit	9	266	2,346
<b>Total comprehensive loss for the year attributable to the equity shareholders of the parent</b>		<b><u>(1,638)</u></b>	<b><u>(1,784)</u></b>

<b>Earnings per share (EPS) attributable to the equity shareholders of the parent</b>	Note	<b>Pence per share</b>	Pence per share
Basic and diluted EPS	10	<b>(0.67)p</b>	(0.86)p

The accompanying notes form part of these financial statements.

## Consolidated statement of financial position

As at 31 July

	Note	2016 £000	2015 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	4,453	4,839
Property, plant and equipment	12	1,060	1,562
Deferred tax asset	18	157	-
<b>Total non-current assets</b>		<b>5,670</b>	<b>6,401</b>
<b>Current assets</b>			
Inventories	14	23	13
Trade and other receivables	15	210	374
Cash and cash equivalents		1,718	3,151
		<b>1,951</b>	<b>3,538</b>
<b>Total assets</b>		<b>7,621</b>	<b>9,939</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	(444)	(1,043)
Current tax liabilities		(148)	(141)
Derivative	16	-	(32)
Short-term borrowings	17	-	(23)
<b>Total current liabilities</b>		<b>(592)</b>	<b>(1,239)</b>
<b>Non-current liabilities</b>			
Long-term borrowings	17	-	(141)
Deferred tax liabilities	18	-	(109)
Long-term provisions	19	(2,347)	(2,143)
<b>Total non-current liabilities</b>		<b>(2,347)</b>	<b>(2,393)</b>
<b>Total liabilities</b>		<b>(2,939)</b>	<b>(3,632)</b>
<b>Net assets</b>		<b>4,682</b>	<b>6,307</b>
<b>Capital and reserves attributable to equity holders of the parent</b>			
Share capital	20	2,449	2,449
Share premium	20	15,901	15,901
Merger reserve	20	2,868	2,868
Retained deficit		(16,536)	(14,911)
<b>Total equity</b>		<b>4,682</b>	<b>6,307</b>

These financial statements were approved by the Board of Directors and authorised for issue on 30 September 2016 and signed on its behalf by:

Phil Greenhalgh, Finance Director  
Company registration number 5217946

The accompanying notes form part of these financial statements.

## Consolidated statement of changes in equity

Attributable to the equity holders of the parent

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
<b>Balance at 1 August 2014</b>	2,049	14,080	2,868	(13,154)	5,843
Issue of share capital (net of costs, note 20)	400	1,821	-	-	2,221
Loss for the year attributable to the equity shareholders of the parent	-	-	-	(1,784)	(1,784)
Share based payment (note 21)	-	-	-	27	27
<b>Balance at 31 July 2015</b>	<u>2,449</u>	<u>15,901</u>	<u>2,868</u>	<u>(14,911)</u>	<u>6,307</u>
	£000	£000	£000	£000	£000
<b>Balance at 1 August 2015</b>	2,449	15,901	2,868	(14,911)	6,307
Loss for the year attributable to the equity shareholders of the parent	-	-	-	(1,638)	(1,638)
Share based payment (note 21)	-	-	-	13	13
<b>Balance at 31 July 2016</b>	<u>2,449</u>	<u>15,901</u>	<u>2,868</u>	<u>(16,536)</u>	<u>4,682</u>

The accompanying notes form part of these financial statements.

## Company statement of financial position

As at 31 July		2016 £000	2015 £000
	Note		
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	43	1,160
Property, plant and equipment	12	4	321
Investments	13	2,335	2,332
Amounts due from Group companies	25	491	331
<b>Total non-current assets</b>		<b>2,873</b>	<b>4,144</b>
<b>Current assets</b>			
Other receivables	15	44	64
Cash and cash equivalents		1,250	2,423
		<b>1,294</b>	<b>2,487</b>
<b>Total assets</b>		<b>4,167</b>	<b>6,631</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	(172)	(165)
Derivative	16	-	(32)
Short-term borrowing	17	-	(23)
<b>Total current liabilities</b>		<b>(172)</b>	<b>(220)</b>
<b>Non-current liabilities</b>			
Long-term borrowings	17	-	(141)
Total non-current liabilities		-	(141)
<b>Total liabilities</b>		<b>(172)</b>	<b>(361)</b>
<b>Net assets</b>		<b>3,995</b>	<b>6,270</b>
<b>Capital and reserves attributable to equity holders of the parent</b>			
Share capital	20	2,449	2,449
Share premium	20	15,901	15,901
Merger reserve	20	2,868	2,868
Retained deficit		(17,223)	(14,948)
<b>Total equity</b>		<b>3,995</b>	<b>6,270</b>

These financial statements were approved by the Board of Directors and authorised for issue on 30 September 2016 and signed on their behalf by:

**Phil Greenhalgh**  
Finance Director  
Company registration number 5217946

**The accompanying notes form part of these financial statements.**

## Company statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
<b>Balance at 1 August 2014</b>	2,049	14,080	2,868	(12,890)	6,107
Issue of share capital (net of costs, note 20)	400	1,821	-	-	2,221
Total comprehensive loss for the year	-	-	-	(2,085)	(2,085)
Share based payment (note 21)	-	-	-	27	27
<b>Balance at 31 July 2015</b>	<u>2,449</u>	<u>15,901</u>	<u>2,868</u>	<u>(14,948)</u>	<u>6,270</u>
	£000	£000	£000	£000	£000
<b>Balance at 1 August 2015</b>	2,449	15,901	2,868	(14,948)	6,270
Total comprehensive loss for the year	-	-	-	(2,288)	(2,288)
Share based payment (note 21)	-	-	-	13	13
<b>Balance at 31 July 2016</b>	<u>2,449</u>	<u>15,901</u>	<u>2,868</u>	<u>(17,223)</u>	<u>3,995</u>

The accompanying notes form part of these financial statements

## Consolidated statement of cash flows

For the year ended 31 July

	Note	2016 £000	2015 £000
<b>Cash flows used in operating activities</b>			
Loss after tax from continuing operations		(1,638)	(1,784)
Adjustments for:			
Share based payments	21	13	27
Depreciation	12	195	386
Exploration write-off	11	1,162	2,205
Impairment of property, plant & equipment	12	-	1,100
Disposal of fixed asset	6	(28)	2
Finance income	7	(64)	(55)
Finance expense	8	228	208
Taxation credit	9	(266)	(2,346)
Decrease in trade and other receivables		170	79
(Increase)/decrease in inventories		(10)	19
Decrease in trade and other payables		(84)	(102)
<b>Net cash used in operating activities</b>		<b>(322)</b>	<b>(261)</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(1)	(4)
Sale of property		338	-
Purchase of intangible assets		(1,224)	(3,394)
Repayment of derivative		(30)	-
Expenditure on well decommissioning		-	(4)
Interest received		4	7
<b>Net cash used in investing activities</b>		<b>(913)</b>	<b>(3,395)</b>
<b>Cash flows (used in)/from financing activities</b>			
Proceeds from issue of share capital (net of issue costs)	20	-	2,221
(Decrease)/increase in payables relating to share capital issue costs		(71)	71
Repayment of borrowings		(164)	(22)
Finance costs		(17)	(18)
<b>Net cash (used in)/from financing activities</b>		<b>(252)</b>	<b>2,252</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,487)</b>	<b>(1,404)</b>
Exchange gain on cash and cash equivalents		54	54
Cash and cash equivalents at beginning of year		3,151	4,501
<b>Cash and cash equivalents at end of year</b>		<b>1,718</b>	<b>3,151</b>

The accompanying notes form part of these financial statements.

## Company statement of cash flows

For the year ended 31 July		2016 £000	2015 £000
<b>Cash flows used in operating activities</b>	Note		
Loss after tax from continuing operations		(2,288)	(2,085)
Adjustments for:			
Share based payments		10	21
Depreciation	12	10	27
Disposal of asset		(28)	2
Exploration write off		1,162	-
Provision against investment in subsidiary		-	1,000
Movement in intercompany loan		1,443	853
Finance income		(470)	(387)
Finance expense		15	419
Decrease/(increase) in trade and other receivables		20	(12)
Increase/(decrease) in trade and other payables		79	(72)
<b>Net cash used in operating activities</b>		<b>(47)</b>	<b>(234)</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(1)	(4)
Purchase of intangible assets		(48)	(125)
Sale of property		338	-
Repayment of derivative		(30)	
Movement on loan to Group companies		(1,139)	(1,026)
Interest received		4	2
<b>Net cash used in investing activities</b>		<b>(876)</b>	<b>(1,153)</b>
<b>Cash flows (used in)/from financing activities</b>			
Proceeds from issue of share capital (net of issue costs)	20	-	2,221
(Decrease)/increase in payables relating to issue of share capital		(71)	71
Repayment of borrowings		(164)	(22)
Finance costs		(15)	(16)
<b>Net cash (used in)/from financing activities</b>		<b>(250)</b>	<b>2,254</b>
Net (decrease)/ increase in cash and cash equivalents		(1,173)	867
Exchange gain on cash and cash equivalents		-	7
<b>Cash and cash equivalents at beginning of year</b>		<b>2,423</b>	<b>1,549</b>
<b>Cash and cash equivalents at end of year</b>		<b>1,250</b>	<b>2,423</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## 1 Accounting Policies

### General information

Europa Oil & Gas (Holdings) plc is a Company incorporated and domiciled in England and Wales with registered number 5217946. The address of the registered office is 6 Porter Street, London, W1U 6DD. The Company's administrative office is at the same address.

The functional and presentational currency of the Company is Sterling (UK£).

### Basis of accounting

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU. The policies have not changed from the previous year.

The accounting policies that have been applied in the opening statement of financial position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 July 2016.

### Going concern

In their assessment of going concern the Directors did not renew the bank facility when it expired in January 2016. Given the continuing cash inflow from the Group's producing assets and the firm expectation of cash inflow from development assets, the Directors have concluded, at the time of approving the financial statements, that there is a reasonable expectation, based on the Group's cash flow forecasts, that the Group can continue in operational existence for the foreseeable future, which is deemed to be at least 12 months from the date of signing these financial statements. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

### Future changes in accounting standards

The IFRS financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.

The following are amendments to existing standards and new standards which may apply to the Group in future accounting periods. Except for the disclosure requirements of IFRS 9, which the Directors are continuing to assess, none of the following are considered to affect the Company.

	<b>Effective date (periods beginning on or after)</b>
IFRS 9 *	Financial instruments 1 Jan 2018
IFRS 15 *	Revenue from Contracts with Customers 1 Jan 2017
IFRS 11	Amendments – acquisition of interests in joint operations 1 Jan 2018
IFRS 16 *	Leases 1 Jan 2019
IAS 1	Amendments - disclosure initiative 1 Jan 2016
IAS 7	Disclosure initiative 1 Jan 2017
IAS 12	Recognition of deferred tax assets for unrealised losses 1 Jan 2017
IAS 16 and 38	Amendments- clarification of acceptable depreciation and amortisation methods 1 Jan 2016

\* Not yet endorsed by the EU.

## 1 Accounting Policies (continued)

### **Basis of consolidation**

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Intra Group balances are eliminated on consolidation. Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group is engaged in oil and gas exploration, development and production through unincorporated joint ventures.

### **Joint arrangements**

Joint arrangements are those arrangements in which the Group holds an interest on a long-term basis which are jointly controlled by the Group and one or more venturers under a contractual arrangement. When these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests in accordance with IFRS 11. The Group's exploration, development and production activities are presently conducted jointly with other companies in this way.

### **Revenue Recognition**

Revenue, excluding value added tax and similar taxes, represents net invoiced sales of the Group's share of oil and gas revenues in the year. Revenue is recognised at the end of each month based upon the quantity and price of oil and gas delivered to the customer.

### **Non-current assets**

#### Oil and gas interests

The financial statements with regard to oil and gas exploration and appraisal expenditure have been prepared under the full cost basis. This accords with IFRS 6 which permits the continued application of a previously adopted accounting policy. The unit of account for exploration and evaluation assets is the individual licence.

#### Pre-production assets

Pre-production assets are categorised as intangible assets on the statement of financial position. Pre-licence expenditure is expensed as directed by IFRS 6. Expenditure on licence acquisition costs, geological and geophysical costs, costs of drilling exploration, appraisal and development wells, and an appropriate share of overheads (including Directors' costs) are capitalised and accumulated on a licence by licence basis. These costs which relate to the exploration, appraisal and development of oil and gas interests are initially held as intangible non-current assets pending determination of technical feasibility and commercial viability. On commencement of production these costs are tested for impairment prior to transfer to production assets.

#### Production assets

Production assets are categorised within property, plant and equipment on the statement of financial position. With the determination of commercial viability and approval of an oil and gas project the related pre-production assets are transferred from intangible non-current assets to tangible non-current assets and depreciated upon commencement of production within the appropriate cash generating unit.

#### Impairment tests

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) as disclosed in notes 11 and 12. As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

Impairment tests are performed at least annually and when indicators as described in IFRS6 are identified. In addition, indicators such as a lack of funding or farm-out options for a licence which is approaching termination, or the implied value of a farm-out transaction are considered as indicators of impairment,

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash

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generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

### Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

### Depreciation

All expenditure within tangible non-current assets is depreciated from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proven plus probable commercial reserves at the end of the period, plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs within each licence. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Furniture and computers are depreciated on a 25% per annum straight line basis.

Leasehold buildings are depreciated on a 2% per annum straight line basis.

### Reserves

Proven and probable oil and gas reserves are estimated quantities of commercially producible hydrocarbons which the existing geological, geophysical and engineering data shows to be recoverable in future years. The proven reserves included herein conform to the definition approved by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC). The probable and possible reserves conform to definitions of probable and possible approved by the SPE/WPC using the deterministic methodology. Reserves used in accounting estimates for depreciation are updated periodically to reflect management's view of reserves in conjunction with third party formal reports. Reserves are reviewed at the time of formal updates or as a consequence of operational performance, plans and the business environment at that time.

Reserves are adjusted in the year that formal updates are undertaken or as a consequence of operational performance and plans, and the business environment at that time, with any resulting changes not applied retrospectively.

### Future decommissioning costs

A provision for decommissioning is recognised in full at the point that the Group has an obligation to decommission an appraisal, development or producing well. A corresponding non-current asset (included within producing fields in note 12) of an amount equivalent to the provision is also created. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. For producing wells, the asset is subsequently depreciated as part of the capital costs of production facilities within tangible non-current assets, on a unit of production basis. Any decommissioning obligation in respect of a pre-production asset is carried forward as part of its cost and tested annually for impairment in accordance with the above policy.

Changes in the estimates of commercial reserves or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset. The unwinding of the discount on the decommissioning provision is included within finance expense.

## **Taxation**

Current tax is the tax payable based on taxable profit / (loss) for the year.

Deferred income taxes are calculated using the balance sheet 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 Group and it is probable that reversal will not occur in the foreseeable future. Tax losses available to be carried forward as well as other income tax credits to the Group 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 difference 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

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to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, 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.

### Foreign currency

The Group and Company prepare their financial statements in Sterling.

Transactions denominated in foreign currencies are translated at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Any exchange differences arising on the settlement of items or on translating items at rates different from those at which they were initially recorded are recognised in the Statement of comprehensive income in the period in which they arise. Exchange differences on non-monetary items are recognised in the Statement of changes in equity to the extent that they relate to a gain or loss on that non-monetary item taken to the Statement of changes in equity, otherwise such gains and losses are recognised in the Statement of comprehensive income.

Europa Oil & Gas (Holdings) plc is domiciled in the UK, which is its primary economic environment and the Company's functional currency is Sterling. The Group's current operations are based in the UK, Ireland and France, and the functional currencies of the Group's entities are the prevailing local currencies in each jurisdiction. Given that the functional currency of the Company is Sterling, management has elected to continue to present the consolidated financial statements of the Group and Company in Sterling.

### Investments

Investments, which are only investments in subsidiaries, are carried at cost less any impairment. Additions include the net value of share options issued to employees of subsidiary companies less any lapsed, unvested options.

### Financial instruments

Financial assets and liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group and Company classifies its financial assets into loans and receivables, which comprise trade and other receivables and cash and cash equivalents. The Group has not classified any of its financial assets as held to maturity or available for sale or fair value through profit or loss.

Trade and other receivables are measured initially at fair value plus directly attributable transaction costs, and subsequently at amortised cost using the effective interest rate method, less provision for impairment. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the Statement of comprehensive income.

Cash and cash equivalents comprise cash held by the Group, short-term bank deposits with an original maturity of three months or less and bank overdrafts.

The Group and Company classify financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The accounting policy for each category is as follows:

#### Fair value through profit or loss.

This category comprises only out-of-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated Statement of comprehensive income. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

#### Other financial liabilities.

Include the following items:

Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial

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position. Interest expense in this context includes initial transaction costs and any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Leased assets

During the current and prior year the Group and Company did not have any finance leases. All leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

### Treatment of finance costs

All finance costs are expensed through the income statement. The Group does not incur any finance costs that qualify for capitalisation.

### Defined contribution pension schemes

The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

### Inventories

Inventories comprise oil in tanks stated at the lower of cost and net realisable value. Cost is determined by reference to the actual cost of production in the period.

### Share-based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to reserves. Where options over the parent Company's shares are granted to employees of subsidiaries of the parent, the charge is recognised in the statement of comprehensive income of the subsidiary. In the parent Company accounts there is an increase in the cost of the investment in the subsidiary receiving the benefit.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if the number of share options ultimately exercised is different to that initially estimated.

Upon exercise of share options the proceeds received, net of attributable transaction costs, are credited to share capital, and where appropriate share premium.

### Critical accounting judgements and key sources of estimation uncertainty

Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

Accounting judgements and estimates:

- Carrying value of intangible assets (note 11) – carrying values are justified by reference to future estimates of reserves and costs to extract, discounted at appropriate rates.
- Carrying value of property, plant and equipment (note 12) – carrying values are justified by reference to future estimates of cash flows, discounted at appropriate rates.
- Deferred taxation (note 18) – assumptions regarding future rates of taxation and the future profitability of the Group.

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- Decommissioning provision (note 19) – inflation and discount rate estimates are used in calculating the provision, along with third party estimates of remediation costs.
- Share-based payments (note 21) – various estimates, referenced to external sources where possible, are used in determining the fair value of options.

## 2 Operating segment analysis

In the opinion of the Directors the Group has three reportable segments as reported to the chief operating decision maker, being the UK, Ireland, and France.

The reporting on these segments to management focuses on revenue, operating costs and capital expenditure. The impact of such criteria is discussed further in the Chairman's statement and Strategic report of this annual report.

### Income statement for the year ended 31 July 2016

	UK £000	Ireland £000	France £000	Total £000
Revenue	1,269	-	-	1,269
<i>Cost of sales</i>	<i>(1,282)</i>	<i>-</i>	<i>-</i>	<i>(1,282)</i>
<i>Exploration write-off</i>	<i>-</i>	<i>-</i>	<i>(1,162)</i>	<i>(1,162)</i>
<i>Impairment of producing fields</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Cost of sales	(1,282)	-	(1,162)	(2,444)
<b>Gross loss</b>	<b>(13)</b>	<b>-</b>	<b>(1,162)</b>	<b>(1,175)</b>
Administrative expenses	(498)	(76)	(19)	(593)
Profit on disposal of fixed asset	28	-	-	28
Finance income	92	(28)	-	64
Finance costs	(228)	-	-	(228)
<b>Loss before tax</b>	<b>(619)</b>	<b>(104)</b>	<b>(1,181)</b>	<b>(1,904)</b>
Taxation	266	-	-	266
<b>Loss for the year</b>	<b>(353)</b>	<b>(104)</b>	<b>(1,181)</b>	<b>(1,638)</b>

### Segmental assets and liabilities as at 31 July 2016

	UK £000	Ireland £000	France £000	Total £000
Non-current assets	4,913	757	-	5,670
Current assets	1,951	-	-	1,951
<b>Total assets</b>	<b>6,864</b>	<b>757</b>	<b>-</b>	<b>7,621</b>
Non-current liabilities	(2,342)	(5)	-	(2,347)
Current liabilities	(592)	-	-	(592)
<b>Total liabilities</b>	<b>(2,934)</b>	<b>(5)</b>	<b>-</b>	<b>(2,939)</b>
<b>Other segment items</b>				
Capital expenditure	926	294	5	1,225
Depreciation	195	-	-	195
Share based payments	13	-	-	13

**2 Operating segment analysis (continued)**

**Income statement for the year ended 31 July 2015**

	UK	Ireland	France	Total
	£000	£000	£000	£000
Revenue	2,205	-	-	2,205
<i>Cost of sales</i>	<i>(1,900)</i>	-	-	<i>(1,900)</i>
<i>Exploration write-off</i>	<i>(2,205)</i>	-	-	<i>(2,205)</i>
<i>Impairment of producing fields</i>	<i>(1,100)</i>	-	-	<i>(1,100)</i>
Cost of sales	(5,205)	-	-	(5,205)
<b>Gross loss</b>	<b>(3,000)</b>	-	-	<b>(3,000)</b>
Administrative expenses	(690)	(181)	(106)	(977)
Finance income	55	-	-	55
Finance costs	(208)	-	-	(208)
<b>Loss before tax</b>	<b>(3,843)</b>	<b>(181)</b>	<b>(106)</b>	<b>(4,130)</b>
Taxation	2,346	-	-	2,346
<b>Loss for the year</b>	<b>(1,497)</b>	<b>(181)</b>	<b>(106)</b>	<b>(1,784)</b>

**Segmental assets and liabilities as at 31 July 2015**

	UK	Ireland	France	Total
	£000	£000	£000	£000
Non-current assets	4,774	467	1,160	6,401
Current assets	3,538	-	-	3,538
<b>Total assets</b>	<b>8,312</b>	<b>467</b>	<b>1,160</b>	<b>9,939</b>
Non-current liabilities	(2,393)	-	-	(2,393)
Current liabilities	(1,229)	(10)	-	(1,239)
<b>Total liabilities</b>	<b>(3,622)</b>	<b>(10)</b>	<b>-</b>	<b>(3,632)</b>
<b>Other segment items</b>				
Capital expenditure	3,003	282	113	3,398
Depreciation	291	-	-	291
Share based payments	27	-	-	27

100% of the total revenue (2015: 100%) relates to UK based customers. Of this figure, one single customer (2015: one) commands more than 99% of the total.

**3 Loss before taxation**

Loss before taxation is stated after charging:

		<b>2016</b>	2015
		<b>£000</b>	£000
Depreciation on property, plant & equipment	12	<b>195</b>	386
Staff costs including Directors	5	<b>878</b>	1,001
Exploration write-off	11	<b>1,162</b>	2,205
Impairment of property, plant and equipment	12	-	1,100
Fees payable to the auditor for the audit		<b>42</b>	43
Fees payable to the auditor for taxation services		<b>4</b>	2
Operating leases – land and buildings	24	<b>40</b>	40
Amount of inventory recognised as an expense		-	19
		<u><u>          </u></u>	<u><u>          </u></u>

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes. The loss dealt with in the financial statements of the parent Company is £2,288,000 (2015: loss of £2,085,000).

**4 Directors' emoluments**

**Directors' salaries and fees**

		<b>2016</b>	2015
		<b>£000</b>	£000
WH Adamson (resigned 30 April 2015)		-	30
CW Ahlefeldt-Laurvig		<b>23</b>	25
C Bousfield		<b>36</b>	32
RJHM Corrie		<b>23</b>	25
P Greenhalgh		<b>138</b>	154
HGD Mackay		<b>160</b>	183
		<u><u>          </u></u>	<u><u>          </u></u>
		<b>380</b>	449

**Directors' pensions**

P Greenhalgh		<b>20</b>	23
HGD Mackay		<b>23</b>	21
		<u><u>          </u></u>	<u><u>          </u></u>
		<b>43</b>	44

The above charge represents premiums paid to money purchase pension plans during the year.

**Directors' share based payments**

		<b>2016</b>	2015
		<b>£000</b>	£000
WH Adamson (resigned 30 April 2015)		-	1
C Bousfield		<b>6</b>	11
		<u><u>          </u></u>	<u><u>          </u></u>
		<b>6</b>	12

The above represents the accounting charge in respect of share options. No share options were exercised during the period (2015: none).

**4 Directors' emoluments (continued)**

<b>Directors' total emoluments</b>	<b>2016</b>	2015
	<b>£000</b>	£000
Salaries and fees	380	449
Social security costs	48	52
Pensions	43	44
Share based payments	6	12
	<u>477</u>	<u>557</u>

**5 Employee information**

<b>Average monthly number of employees including Directors</b>	<b>2016</b>	2015
	<b>Number</b>	Number
Management and technical	8	9
Field exploration and production	4	5
	<u>12</u>	<u>14</u>

<b>Staff costs</b>	<b>2016</b>	2015
	<b>£000</b>	£000
Wages and salaries (including Director's emoluments)	697	792
Social security	86	98
Pensions	82	84
Share based payment (note 21)	13	27
	<u>878</u>	<u>1,001</u>

**6 Profit on disposal of fixed asset**

	<b>2016</b>	2015
	<b>£000</b>	£000
Sales price	338	-
Net book value of asset	(308)	(2)
Legal fees	(2)	-
	<u>28</u>	<u>(2)</u>

The property in Abingdon was sold on 20 July 2016 for £337,500.

**7 Finance income**

	<b>2016</b>	2015
	<b>£000</b>	£000
Bank interest received	4	7
Interest rate swap fair value credit (note 22)	2	3
Exchange rate gains	58	45
	<u>64</u>	<u>55</u>

**8 Finance expense**

	2016	2015
	£000	£000
Bank interest payable	10	11
Loan interest payable	3	4
Unwinding of discount on decommissioning provision (note 19)	204	184
Interest due on tax payment	7	5
Bank charges	4	4
	<u>228</u>	<u>208</u>

**9 Taxation**

	2016	2015
	£000	£000
Movement in deferred tax asset (note 18)	(157)	(84)
Movement in deferred tax liability (note 18)	(109)	(2,262)
Tax credit	<u>(266)</u>	<u>(2,346)</u>

UK corporation tax is calculated at 30% (2015: 30%) of the estimated assessable profit for the year being the applicable rate for a ring-fence trade excluding the Supplementary Charge of 20% to December 2015 and 10% from January 2016 (2015: 32% (to December 2014) and 20% from January 2015). Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2016	2015
	£000	£000
Loss before tax	<u>(1,904)</u>	<u>(4,130)</u>
<b>Tax reconciliation</b>		
Loss multiplied by the standard rate of corporation tax in the UK of 30% (2015: 30%)	(571)	(1,239)
Non taxable income	-	-
Expenses not deductible for tax purposes	353	1,000
Other reconciling items including UK Supplementary Charge	(48)	(2,107)
Total tax credit	<u>(266)</u>	<u>(2,346)</u>

**10 Earnings per share**

Basic earning per share EPS has been calculated on the loss after taxation divided by the weighted average number of shares in issue during the period. Diluted EPS uses an average number of shares adjusted to allow for the issue of shares on the assumed conversion of all in-the-money options.

As the Group made a loss from continuing operations in both the current and prior years, any potentially dilutive instruments are considered to be anti-dilutive. Therefore the diluted EPS is equal to the basic EPS. As at 31 July 2016 there were 15,445,000 (2015: 13,356,626) potentially dilutive instruments in issue.

**10 Earnings per share (continued)**

The calculation of the basic and diluted earnings per share is based on the following:

	2016 £000	2015 £000
Loss for the year attributable to the equity shareholders of the parent	<u>(1,638)</u>	<u>(1,784)</u>
<b>Weighted average number of shares</b> For the purposes of basic and diluted EPS	<b>244,888,011</b>	206,526,969

**11 Intangible assets**

<b>Intangible assets - Group</b>	2016 £000	2015 £000
At 1 August	4,839	3,553
Additions	776	3,491
Exploration write-off	<u>(1,162)</u>	<u>(2,205)</u>
At 31 July	<u>4,453</u>	<u>4,839</u>

Intangible assets comprise the Group's pre-production expenditure on licence interests as follows:

	2016 £000	2015 £000
France Béarn des Gaves	-	1,160
Ireland FEL 2/13 (Doyle a/b/c, Heaney)	224	149
Ireland FEL 3/13 (Beckett, Wilde, Shaw)	487	318
Ireland LO 16/2	35	-
Ireland LO 16/19-22	8	-
UK PEDL143 (Holmwood)	721	681
UK PEDL180 (Wressle)	2,672	2,270
UK PEDL181	47	43
UK PEDL182 (Broughton North)	223	218
UK PEDL299 (Hardstoff)	5	-
UK Block 41/24 (Maxwell)	31	-
<b>Total</b>	<u>4,453</u>	<u>4,839</u>
<b>Exploration write-off</b>		
France (Béarn des Gaves)	1,162	-
PEDL181 (Kiln Lane)	-	2,205
<b>Total</b>	<u>1,162</u>	<u>2,205</u>

The UK PEDL143 exploration licence carries a well commitment by September 2018. If the Group elects to continue with this licence, it will need to fund the drilling of a well by raising funds or by farming down. If the Group is not able to raise funds, farm-down, or extend the PEDL143 licence; or elects not to continue in any other licence, then the impact on the financial statements will be the impairment of some or all of the intangible assets disclosed above. Further details of commitments are included in note 23.

**11 Intangible assets (continued)**

**Intangible assets - Company**

	2016	2015
	£000	£000
At 1 August	1,160	1,248
Additions	45	100
Exploration write-off	(1,162)	-
Disposals – transferred to Group companies	-	(188)
At 31 July	<u>43</u>	<u>1,160</u>

Licence interests relating to Ireland were transferred from the Company to two new subsidiaries in November 2014.

Intangible assets comprise the Company's pre-production expenditure on licence interests as follows:

	2016	2015
	£000	£000
France (Béarn des Gaves permit)	-	1,160
Ireland LO 16/2	35	-
Ireland LO 16/19-22	8	-
<b>Total</b>	<u>43</u>	<u>1,160</u>

**12 Property, plant and equipment****Property, plant & equipment - Group**

	<b>Furniture &amp; computers £000</b>	<b>Leasehold building £000</b>	<b>Producing fields £000</b>	<b>Total £000</b>
<b>Cost</b>				
At 1 August 2014	48	437	10,785	11,270
Additions	4	-	-	4
Disposal	(2)	-	-	(2)
At 31 July 2015	<u>50</u>	<u>437</u>	<u>10,785</u>	<u>11,272</u>
Additions	1	-	-	1
Disposal	-	(437)	-	(437)
At 31 July 2016	<u><b>51</b></u>	<u><b>-</b></u>	<u><b>10,785</b></u>	<u><b>10,836</b></u>
<b>Depreciation, depletion and impairment</b>				
At 1 August 2014	40	99	8,085	8,224
Charge for year	4	23	359	386
Impairment in year	-	-	1,100	1,100
At 31 July 2015	<u>44</u>	<u>122</u>	<u>9,544</u>	<u>9,710</u>
Charge for year	3	7	185	195
Disposal	-	(129)	-	(129)
At 31 July 2016	<u><b>47</b></u>	<u><b>-</b></u>	<u><b>9,729</b></u>	<u><b>9,776</b></u>
<b>Net Book Value</b>				
At 31 July 2014	<u>8</u>	<u>338</u>	<u>2,700</u>	<u>3,046</u>
At 31 July 2015	<u>6</u>	<u>315</u>	<u>1,241</u>	<u>1,562</u>
<b>At 31 July 2016</b>	<u><b>4</b></u>	<u><b>-</b></u>	<u><b>1,056</b></u>	<u><b>1,060</b></u>

The producing fields referred to in the table above are the production assets of the Group, namely the oilfields at Crosby Warren and West Firsby, and the Group's interest in the Whisby W4 well, representing three of the Group's cash generating units.

The carrying value of each producing field was tested for impairment by comparing the carrying value with the value in use. The value in use was calculated using a discounted cash flow model with production decline rates of 7-8%, Brent crude prices rising from US\$54 per barrel in 2017 to US\$74 in 2020 and a pre-tax discount rate of 18%. The pre-tax discount rate is derived from a post-tax rate of 10%, and is high because of the applicable rate of tax in the UK. Cash flows were projected over the expected life of the fields which is expected to be longer than 5 years.

There was no impairment in the year (2015: £1,100,000 relating to the West Firsby site).

The leasehold property at Abingdon was sold in the period.

**12 Property, plant and equipment (continued)**

**Sensitivity to key assumption changes**

Variations to the key assumptions used in the value in use calculation would cause impairment of the producing fields as follows:

	<b>Impairment of producing fields £000</b>
<b>Production decline rate (current assumption 7-8%)</b>	
10%	-
20%	-
<b>Brent crude price per barrel (current assumption US\$54/bbl in 2016 rising to US\$74 in 2020)</b>	
10% reduction in the assumed forward price	<b>12</b> -
20% reduction in the assumed forward price	<b>100</b>

**Property, plant and equipment - Company**

	<b>Furniture &amp; computers £000</b>	<b>Long leasehold Building £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 August 2014	48	437	485
Additions	4	-	4
Disposals	(2)	-	(2)
At 31 July 2015	<u>50</u>	<u>437</u>	<u>487</u>
Additions	1	-	1
Disposals	-	(437)	(437)
At 31 July 2016	<u><b>51</b></u>	<u>-</u>	<u><b>51</b></u>
<b>Depreciation</b>			
At 1 August 2014	40	99	139
Charge for the year	4	23	27
At 31 July 2015	<u>44</u>	<u>122</u>	<u>166</u>
Charge for year	3	7	10
Disposals	-	(129)	(129)
At 31 July 2016	<u><b>47</b></u>	<u>-</u>	<u><b>47</b></u>
<b>Net Book Value</b>			
At 31 July 2014	<u>8</u>	<u>338</u>	<u>346</u>
At 31 July 2015	<u>6</u>	<u>315</u>	<u>321</u>
<b>At 31 July 2016</b>	<u><b>4</b></u>	<u>-</u>	<u><b>4</b></u>

The Abingdon property was vacated and put up for sale in 2012. The property has been sub-let since February 2015 and in July 2016 the property was sold for £337,500. The proceeds were used to fully repay the loan secured against the property (see note 17) and the interest rate swap (see note 16).

**13 Investments - Company**

Investment in subsidiaries	2016	2015
	£000	£000
At 1 August	2,332	3,326
Provide against investment in subsidiary	-	(1,000)
Current year additions	3	6
At 31 July	<u>2,335</u>	<u>2,332</u>

The Company's investments at the reporting date include 100% of the share capital the following unlisted companies:

- Europa Oil & Gas Limited, which undertakes oil and gas exploration, development and production in the UK
- Europa Oil & Gas (West Firsby) Limited, which is non-trading
- Europa Oil & Gas (Ireland West) Limited, which holds the interest in the FEL 2/13 licence
- Europa Oil & Gas (Ireland East) Limited, which holds the interest in the FEL 3/13 licence

All four companies are registered in England and Wales.

The results of the four companies have been included in the consolidated accounts. Europa Oil & Gas Limited owns 100% of the ordinary share capital of Europa Oil & Gas Resources Limited (this UK company is non-trading).

In 2015, with the impairment of intangible assets (note 11) and property, plant and equipment (note 12) held by Europa Oil & Gas Limited, the Directors considered that the recoverable amount of investment by the Company in the subsidiary was also impaired. The value of the investment was therefore written down to the net asset value, which is considered to equate to the fair value.

Additions to the cost of investments represent the net value of options over the shares of the Company issued to employees of subsidiary companies less any lapsed, unvested options.

**14 Inventories - Group**

	2016	2015
	£000	£000
Oil in tanks	<u>23</u>	<u>13</u>

**15 Trade and other receivables**

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
<b>Current trade and other receivables</b>				
Trade receivables	120	187	-	-
Other receivables	-	101	-	13
Prepayments	90	86	44	51
	<u>210</u>	<u>374</u>	<u>44</u>	<u>64</u>
<b>Non current other receivables</b>				
Owed by Group undertakings (note 25)	-	-	491	331
	<u>-</u>	<u>-</u>	<u>491</u>	<u>331</u>

**16 Trade and other payables**

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade payables	313	918	58	106
Other payables	131	125	114	59
	<u>444</u>	<u>1,043</u>	<u>172</u>	<u>165</u>
<b>Derivative liability</b>				
Interest rate swap	-	32	-	32
	<u>-</u>	<u>32</u>	<u>-</u>	<u>32</u>

Group other payables includes advances received from partners on projects in UK. More information on the interest rate swap is included in note 22.

**17 Borrowings**

The Directors decided not to renew The Royal Bank of Scotland (RBS) multi-currency facility which lapsed in January 2016. The facility had provided an overdraft of up to £350,000 (2015: £350,000) and was not in use at 31 July 2015.

The loan secured against the Abingdon property was fully repaid on the sale of the property in July 2016.

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
<u>Loans repayable in less than 1 year</u>				
Property loan	-	23	-	23
<b>Total short-term borrowing</b>	<u>-</u>	<u>23</u>	<u>-</u>	<u>23</u>
<u>Property loan</u>				
Repayable in 1 to 2 years	-	23	-	23
Repayable 2 to 5 years	-	71	-	71
Repayable after 5 years	-	47	-	47
<b>Total long-term borrowing</b>	<u>-</u>	<u>141</u>	<u>-</u>	<u>141</u>

**18 Deferred Tax – Group**

	2016 £000	2015 £000
<b>Recognised deferred tax (liability)/asset:</b>		
As at 1 August	109	2,371
Credited to statement of comprehensive income	(266)	(2,262)
At 31 July	<u>(157)</u>	<u>109</u>

The Group has a deferred tax liability of £1,487,000 (2015: £1,797,000) arising from accelerated capital allowances and a deferred tax asset of £1,644,000 (2015: £1,688,000) arising from trading losses which will be utilised against future taxable profits. These have been offset against each other resulting in the total net asset of £157,000 (2015: net liability £109,000). This offsetting is required because the Group settles current tax assets and liabilities on a net basis.

**Non-recognised long-term deferred tax asset**

The Group has a non-recognised deferred tax asset of £3,378,000 (2015: £3,371,000), which arises mainly in relation to non ring-fence UK trading losses of £11.8 million (2015: £12.2 million) and Company losses of £0.1 million (2015: £0.7 million), that have not been recognised in the accounts as the timing of the utilisation of the losses is considered uncertain.

No deferred tax assets or liabilities are recognised in the Company.

**19 Provisions – Group**

Decommissioning provisions are based on third party estimates of work which will be required and the judgement of Directors. By its nature, the detailed scope of work required and timing is uncertain.

<b>Short-term provisions</b>	<b>2016</b>	2015
	<b>£000</b>	£000
As at 1 August	-	4
Utilised in year - Hykeham	-	(4)
At 31 July	<u>-</u>	<u>-</u>

<b>Long-term provisions</b>	<b>2016</b>	2015
	<b>£000</b>	£000
As at 1 August	2,143	1,959
Charged to statement of comprehensive income (note 8)	204	184
At 31 July	<u>2,347</u>	<u>2,143</u>

No provisions have been recognised in the Company.

**20 Called up share capital**

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Allotted, called up and fully paid ordinary shares of 1p</b>		
At 1 August 244,888,011 shares (2015: 204,883,024)	2,449	2,049
Issued in the year - nil shares (2015: 40,004,987)	-	400
At 31 July 244,888,011 shares (2015: 244,888,011)	<u>2,449</u>	<u>2,449</u>

	Date	Type of issue	Number of shares	Issue price	Raised net of costs £000	Nominal value £000
<b>Ordinary shares issued 2015</b>	10 July 2015	Placing	20,000,000	6p	1,059	200
	24 July 2015	Placing	2,630,000	6p	150	26
	24 July 2015	Open offer	17,374,987	6p	1,012	174
			<u>40,004,987</u>		<u>2,221</u>	<u>400</u>

All of the allotted shares are ordinary shares of the same class and rank pari passu.

In 2005, the Company issued 39,999,998 ordinary shares of 1p at a nil premium in exchange for the entire shareholding of Europa Oil & Gas Limited. This gave rise to the merger reserve at 31 July 2016 of £2,868,000 (2015: £2,868,000).

The following describes the purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Reserve created on issue of shares on acquisition of subsidiaries in prior years
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

## 21 Share based payments

There are 15,445,000 ordinary 1p share options outstanding (2015: 13,356,626). These are held by certain members of the Board: C Bousfield 500,000; RJHM Corrie 650,000; P Greenhalgh 4,275,000; HGD Mackay 8,200,000 and employees of the Group 1,820,000.

The fair values of all options were determined using a Black Scholes Merton model. Volatility is based on the Company's share price volatility since flotation.

The inputs used to determine the values of the 3,560,000 options granted in 2016 are detailed in the table below:

Grant date	13 July 2016	13 July 2016	13 July 2016	13 July 2016
Number of options	610,000	1,550,000	980,000	420,000
Share price at grant	3.75p	3.75p	3.75p	3.75p
Exercise price	6.5p	6.5p	6.5p	6.5p
Volatility	75%	75%	75%	75%
Dividend yield	nil	nil	nil	nil
Risk free investment rate	0.41%	0.41%	0.41%	0.41%
Option life (years)	6	6	6	6
Fair value per share	1.9p	1.33p	1.9p	1.9p

The 610,000 options are exercisable 12 months after grant, with no further vesting conditions.

The 1,550,000 options vest if the share price is above 10p for 30 days. The 980,000 and 420,000 options vest subject to a farmout of the Irish licences and Wressle production respectively.

The latest date at which these options can be exercised is the 10<sup>th</sup> anniversary of the grant date.

Based on the fair values above, the charge arising from employee share options was £13,000 (2015: £27,000). The charge relating to non-employee share options was £nil (2015: £nil). In the year 1,391,626 options were expired, 80,000 forfeited and none were exercised (2015: no options were granted, 160,000 were expired, 500,000 forfeited and none were exercised).

	2016 Number of options	2016 Average exercise price	2015 Number of options	2015 Average exercise price
Outstanding at the start of the year	13,356,626	12.38p	14,016,626	12.51p
Granted	3,560,000	6.5p	-	-
Expired	(1,391,626)	6.0p	(160,000)	25p
Forfeited	(80,000)	9.45p	(500,000)	12p
Outstanding at the end of the year	15,445,000	11.62p	13,356,626	12.38p
Exercisable at the end of the year	11,285,000	13.37p	12,213,288	12.69p

The weighted average remaining contractual life of share options outstanding at the end of the period was 6.1 years (2015: 5.4 years).

## 22 Financial instruments

The Group's and Company's financial instruments comprise cash and cash equivalents, bank borrowings, loans, interest rate derivatives, and items such as trade and other receivables and trade and other payables which arise directly from its operations. Europa's activities are subject to a range of financial risks the main ones being: credit; liquidity; interest rates; commodity prices; foreign exchange and capital. These risks are managed through ongoing review taking into account the operational, business and economic circumstances at that time.

### Credit risk

The Group is exposed to credit risk as all crude oil production is sold to one multinational oil company. The customer is invoiced monthly for the oil delivered to the refinery in the previous month and invoices are settled in full on the 15th of the following month. At 31 July 2016 trade receivables were £120,000 representing one month of oil revenue and receivables due from project partners (2015: £187,000 representing one month of oil revenue). The fair value of trade receivables and payables approximates to their carrying value because of their short maturity. Any surplus cash is held on short-term deposit with Royal Bank of Scotland. The maximum credit exposure in the year was £140,000 (2015: £278,000). The Company exposure to third party credit risk is negligible. All material intercompany balances have been fully provided.

### Liquidity risk

The Company currently has no overdraft facility with its bankers (2015: £350,000 flexible multi-currency overdraft facility). At the year end there was no overdraft (2015: no overdraft).

The Group and Company monitor their levels of working capital to ensure they can meet liabilities as they fall due. The following table shows the contractual maturities (representing the undiscounted cashflows) of the Group's financial liabilities.

	Trade and other payables £000	Derivative at fair value £000	Short-term borrowings £000	Long-term borrowings £000
<b>At 31 July 2016</b>				
6 months or less	(444)	-	-	-
Total	<u>(444)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 31 July 2015</b>				
6 months or less	(1,043)	(4)	(11)	-
6-12 months	-	(4)	(12)	-
1-2 years	-	(7)	-	(23)
2-5 years	-	(14)	-	(71)
Over 5 years	-	(3)	-	(47)
Total	<u>(1,043)</u>	<u>(32)</u>	<u>(23)</u>	<u>(141)</u>

**22 Financial instruments (continued)**

**Liquidity risk (continued)**

The following table shows the contractual maturities (representing the undiscounted cashflows) of the Company's financial liabilities.

	Trade and other payables	Derivative at fair value	Short-term borrowings	Long-term borrowings
	£000	£000	£000	£000
<b>At 31 July 2016</b>				
6 months or less	(172)	-	-	-
Over 5 years	-	-	-	-
<b>Total</b>	<b>(172)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 July 2015</b>				
6 months or less	(165)	(4)	(11)	-
6-12 months	-	(4)	(12)	-
1-2 years	-	(7)	-	(23)
2-5 years	-	(14)	-	(71)
Over 5 years	-	(3)	-	(47)
<b>Total</b>	<b>(165)</b>	<b>(32)</b>	<b>(23)</b>	<b>(141)</b>

Cash and cash equivalents in both Group and Company are all available at short notice.

Trade and other payables do not normally incur interest charges. There is no difference between the fair value of the trade and other payables and their carrying amounts. Borrowings bear interest at variable rates, except for the property loan which was repaid in July 2016 (2015: £164,000) which was swapped for a fixed rate of interest.

**Interest rate risk**

The Group had interest bearing liabilities as described in note 17. The multi-currency facility, which was not renewed, was secured over the assets of Europa Oil & Gas (Holdings) plc and Europa Oil & Gas Limited. Interest was charged on the multi-currency facility at base rate plus 3%.

The Group fully repaid the loan that had been secured on the Abingdon property when the property was sold in July 2016 (2015: £164,000 loan was secured over the long lease property and was repayable over 7 years). At the time of the purchase of the property in 2007, the Company considered it prudent to enter into an interest rate swap which fixed the interest rate for the life of the loan (until May 2022) at 5.52%. The swap was also repaid at the time of the property sale (2015: fair value of swap £32,000 and this had been recorded as a current liability of the Company.) The table below shows the sensitivity of the swap to changes in interest rates. There would be a corresponding charge or credit to the statement of comprehensive income.

Fair value of swap

Long-term forward Sterling base rate	2016 £000	2015 £000
1%	-	33
3%	-	18
5%	-	4

**22 Financial instruments (continued)****Commodity price risk**

The selling price of the Group's production of crude oil is set at a small discount to Brent prices. The table below shows the range of prices achieved in the year and the sensitivity of the Group's Loss Before Taxation (LBT) to such movements in oil price. There would be a corresponding increase or decrease to net assets. There is no commodity price risk in the Company.

Oil price	Month	Price	LBT	Price	LBT
		2016	2016	2015	2015
		US\$/bbl	£000	US\$/bbl	£000
Highest	Jun 16	47.3	(1,731)	100.1	(3,108)
Average		41.5	(1,904)	68.1	(4,130)
Lowest	Jan 15	30.0	(2,257)	46.8	(4,816)

**Foreign exchange risk**

The Group's production of crude oil is invoiced in US\$. Revenue is translated into Sterling using a monthly exchange rate set by reference to the market rate. The table below shows the range of average monthly US\$ exchange rates used in the year and the sensitivity of the Group's LBT to similar movements in US\$ exchange. There would be a corresponding increase or decrease to net assets.

US Dollar	Month	2016	2016	2015	2015
		Rate	LBT	Rate	LBT
		US\$/£	£000	US\$/£	£000
Highest	Oct 15	1.544	(1,979)	1.661	(4,262)
Average		1.452	(1,904)	1.561	(4,130)
Lowest	Jul 16	1.327	(1,785)	1.485	(4,017)

The table below shows the Group's currency exposures. Exposures comprise the net financial assets and liabilities of the Group that are not denominated in the functional currency.

Currency	Item	Group		Company	
		2016	2015	2016	2015
		£000	£000	£000	£000
Euro	Cash and cash equivalents	1	8	1	8
	Trade and other payables	(49)	(23)	(18)	(1)
US Dollar	Cash and cash equivalents	397	778	8	3
	Trade and other receivables	326	373	-	-
	Trade and other payables	(15)	(4)	(3)	(2)
Total		<u>660</u>	<u>1,132</u>	<u>(12)</u>	<u>8</u>

**Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being the consolidated shareholder equity (note 20) and bank borrowings (note 17). The Board monitors the level of capital as compared to the Group's long-term debt commitments and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders. The Group is not subject to any externally imposed capital requirements.

**23 Capital commitments and guarantees**

At the reporting date, the Group had a contractual commitment to drill a well on PEDL143 (Holmwood) before September 2018. Europa's share of the well cost is expected to be £0.8 million. For PEDL299 (Hardstoft) and PEDL343 (Cloughton) there is a commitment to acquire seismic and Europa's share of combined cost is expected to be £0.9 million. The five Irish LOs have a total work commitment which is expected to cost £1.1 million.

If the Group is not able to raise funds, farm-down, or extend licences; or elects not to continue in an exploration licence, then the impact on the financial statements will be the impairment of the relevant intangible asset disclosed in note 11.

## 24 Operating lease commitments

Europa Oil & Gas Limited pays annual site rentals for the land upon which the West Firsby and Crosby Warren oil field facilities are located. The West Firsby lease runs until September 2022 and can be terminated upon giving two months' notice. The annual cost is currently £20,000 (2015: £20,000) and increases annually in line with the retail price index. The Crosby Warren lease runs until December 2022 and can be terminated on three months' notice. The annual cost is currently £20,000 (2015: £20,000).

## 25 Related party transactions

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's and the Company's key management are the Directors of Europa Oil & Gas (Holdings) plc. Information regarding their compensation is given in note 4.

During the year, the Company provided services to subsidiary companies as follows:

	2016 £000	2015 £000
Europa Oil & Gas Limited	1,129	1,235
Europa Oil & Gas (Ireland West) Limited	22	2
Europa Oil & Gas (Ireland East) Limited	24	2
<b>Total</b>	<u>1,175</u>	<u>1,239</u>

During the year, the Company increased the provision for the intercompany loan to Europa Oil & Gas Limited by £1,443,000 (2015: £853,000).

At the end of the year the Company was owed the following amounts by subsidiaries:

	2016 £000	2015 £000
Europa Oil & Gas (Ireland West) Limited	173	108
Europa Oil & Gas (Ireland East) Limited	318	223
<b>Total</b>	<u>491</u>	<u>331</u>

## 26 Post reporting date events

- Extension of phase 1 of FEL 2/13 and FEL 3/13 licences to 4 July 2017
- Acquisition of Shale Petroleum (UK) Limited (renamed as "Europa Oil & Gas (UK) Limited") increasing Europa's interest in PEDL299 (including the Hardstoft oil field) to 33.32% and increasing interest in PEDL343 (containing the Cloughton gas discovery) to 45%
- Elected not to accept the award of PEDL286 in the southern Cleveland basin

## Directors and advisers

<b>Company registration number</b>	5217946
<b>Registered office</b>	6 Porter Street London W1U 6DD
<b>Directors</b>	CW Ahlefeldt-Laurvig – Non Executive C Bousfield – Non Executive Chairman RJHM Corrie – Non Executive P Greenhalgh – Finance Director HGD Mackay – Chief Executive Officer
<b>Secretary</b>	P Greenhalgh
<b>Banker</b>	Royal Bank of Scotland plc 1 Albyn Place Aberdeen AB10 1BR
<b>Solicitor</b>	Charles Russell Speechlys LLP 5 Fleet Place London EC4M 7RD
<b>Auditor</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Nominated advisor and broker</b>	finnCap Ltd 60 New Broad Street London EC2M 1JJ
<b>Registrar</b>	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH