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

For the year ended 31 July 2015

Company registration number 5217946

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

Contents

Highlights

Operational highlights

- 141 boepd produced from four UK onshore fields (2014: 165 boepd from three fields)
- Competent Persons Report ("CPR") produced by ERC Equipoise ("ERCE") estimated gross mean unrisked Prospective Resources of 1.5 billion boe in FEL 3/13 offshore Ireland
- 15% carried interest in FEL 3/13 assigned a net mean unrisked NPV10 of US$1.6 billion by ERCE
- Discovered oil at Wressle in PEDL180, Lincolnshire, with aggregate production from all payzones of 710 boepd during initial testing operations
- Prepared and submitted new licence applications in 14th Onshore Licensing Round UK, award outcome expected Q4 2015
- Farmed out Tarbes val d'Adour permit in onshore France to Vermillion for a 100% carry on a €4.65 million work programme
- Drilled an exploration well at Kiln Lane on PEDL181 East Lincolnshire
- Awarded block 41/24 licence in southern North Sea
- Raised £2.2 million net proceeds via a placing and open offer
- Bill Adamson retired from the Board and Colin Bousfield, an existing Director, was appointed Chairman

Financial performance

- Group revenue of £2.2 million (2014: £3.9 million)
- Pre-tax loss excluding exploration write-off and impairment of £0.8 million (2014: profit £0.5 million)
- Pre-tax loss of £4.1 million after £2.2 million exploration write-off in PEDL181 and £1.1 million impairment against the West Firsby field (2014: loss £0.7 million after a £1.2 million impairment against the West Firsby field)
- Post-tax loss for the year £1.8 million (2014: profit £0.6 million)
- Cash used in continuing operations £0.3 million (2014: cash generated £1.4 million)
- Net cash balance as at 31 July 2015 £3.2 million (31 July 2014: £4.5 million)

Post reporting date events

- Planning permission for the Holmwood exploration well surface site granted in August 2015 following a Planning Inquiry in April and June 2015 with planning permission for the underground well path granted in September 2015
- Wressle EWT completed at Penistone Flags oil zone with positive implications for reservoir volumes
- Prepared and submitted multiple new licence applications for the Irish 2015 Atlantic Margin Licensing Round, award outcome anticipated in H1 2016
- Kosmos Energy decided to exercise its option to withdraw from both Irish offshore licences, Europa has applied to assume 100% interest and operatorship

Chairman's statement

Europa is an exploration and production company with a portfolio of multi-stage projects in three areas: onshore UK; offshore Ireland; and onshore France. The year under review has seen Europa:

- Participate in two wells drilled onshore UK as part of a multi-well programme focused on proving up our prospect inventory via the drill bit;
- Receive planning approval for the Holmwood well, which is in an area of the Weald Basin which has seen much press coverage in recent months for its high prospectivity;
- Undertake a thorough review of our Irish licences, resulting in the completion of a CPR over FEL 3/13 indicating a total of 1.5 billion barrels of gross unrisked mean Prospective Resources with a net unrisked NPV10 (for the equity and carry arrangements applicable at the time) of US$1.6 billion;
- Manage its exploration licences in France with completion of a farm-out of our Tarbes licence to Vermillion and a continuation of the programme to farm-out our Berenx licence;
- Continue our programme of adding to the licence inventory with new licence applications in both the UK 14th onshore round and the Irish offshore round. In addition we have been awarded block 41/24 offshore UK in the southern North Sea. This is part of our continuing strategy to work up our existing assets, whilst selectively adding new opportunities in locations where we believe we have a good understanding of the geology, fiscal and political risks and where we feel we can add value to the Company;
- Work towards delivering on our objective to build a top quartile AIM oil and gas company in terms of market capitalisation. When this ojective was set Europa was in the fourth quartile of the AIM oil and gas sector. As at 31 August 2015 we were ranked in the second quartile and are showing continued progress towards our goal.

Our drilling campaign got off to a good start in July 2014 with the Wressle-1 exploration well in East Lincolnshire, which was targeting a 2.1 mmbo conventional oil prospect, finding hydrocarbons. We saw aggregate production from all payzones of 710 boepd during testing operations. This was followed up by an Extended Well Test ("EWT") which will aid the partners in determining the optimal development scheme ahead of a formal application to the Oil and Gas Authority ("OGA").

Wressle was followed by the drilling of the Kiln Lane prospect on the neighbouring PEDL181 licence. The well was targeting a 2.9 mmboe prospect and was the first well drilled on the licence. Whilst operations ran to budget and timetable and there was evidence of hydrocarbons being present during drilling, unfortunately the well was found to be water wet. The data recovered will assist the further evaluation of the block ahead of any further activity.

We were delighted that our efforts to obtain planning approval in relation to drilling a temporary exploratory well at the Holmwood prospect on the PEDL143 licence resulted in approval in September 2015. PEDL143 is located in the Weald Basin, Surrey and with mean gross un-risked Prospective Resources of 5.6 mmbo, as estimated in a CPR published in June 2012, and with a one in three chance of success we rate Holmwood as being one of the best undrilled conventional prospects onshore in the UK.

We see the UK as an excellent area in which to operate and we will be looking to add to our existing production through development of Wressle and further exploration activity. To underline this we have participated in the 14th Onshore (Landward) Oil and Gas Licensing Round and await announcement of the awards on the areas we have applied for.

Whilst the UK portfolio has seen most activity over the last 12 months, we believe that there is significant potential value in Europa's Irish acreage.

Kosmos Energy Ireland, delivered a new prospect inventory based on a 2,650 km^2 3D seismic acquisition programme in Q4 2014. We are particularly pleased that the analysis of the state of the art 3D seismic shot in late 2013 confirmed the presence of significant prospects, reducing risk prior to drilling decisions being made. We have undertaken a thorough review of our Irish licences, identifying a number of prospects leading to the issue of a CPR by ERCE which indicated a total of 1.5 billion barrels of gross unrisked mean Prospective Resources with a net unrisked NPV10 of US$1.6 billion based on the Kosmos carry arrangements and Europa's 15% interest prevailing at that time. Since the preparation of the CPR, Kosmos have informed Europa of their decision to withdraw from Ireland which is expected to result in Europa assuming a 100% interest. The Prospective Resources remain unchanged at 1.5 billion barrels, but the value to Europa will need to be adjusted to reflect any new farm-in arrangements. Europa intends to seek a new partner for each licence following the announcement of the results of the 2015 Atlantic Margin Licensing Round that closed on 16 September 2015.

In France, work continued to farm-out both of our onshore licences as a means of funding exploration activity. Europa held 100% interests in the Béarn des Gaves ('Béarn') and Tarbes val d'Adour ('Tarbes') permits, located in the proven Aquitaine Basin. In February, we were able to announce that Vermillion had agreed to join the Tarbes permit, taking an 80% interest in return for up to €4.65m of exploration expenditure. In the current oil price environment it has been challenging to find quality farm-in partners, but we are delighted that Vermillion, as the leading operator onshore France, has seen the potential of the Tarbes licence and we await their detailed plans for the licence with interest.

Béarn holds two potential company making prospects: the Berenx Shallow gas prospect and the Berenx Deep gas appraisal prospect. We continue to seek a farm-in partner with an intention to drill the Shallow prospect and talks are on-going with a number of interested parties, but the current economic climate in the oil and gas sector has led to a reduction in appetite for farm-in opportunities.

Outlook

The year under review has been particularly difficult for the oil and gas sector with oil prices falling significantly from US$104.8/bbl on 1 August 2014 to US$52.2/bbl on 31 July 2015. We have seen many of our peers struggle at low oil prices and overall exploration and development activity levels have dropped off. A number of companies have seen their market capitalisation reduce significantly as their finances have come under strain and I would like to acknowledge the support we have received from shareholders through the placing and open offer during the course of the year.

The CPR for offshore Ireland, which confirmed the company-making potential of our licences both in terms of prospective resource and value, indicates that the Company has the potential to see very material growth in its market capitalisation in the near term. This is one example of the activities management are pursuing to provide shareholders with tangible evidence of value creation.

We are well positioned, through the combination of existing production, near term development at Wressle and exploration opportunities at Holmwood in the UK and in Ireland and France. We hope to build on our existing portfolio through participation in the UK and Irish licensing rounds, and we will continue to evaluate new projects and ventures that match our investment criteria. This is a challenging time but shareholders can be assured that the Board and I will be working hard to manage our resources carefully and maximise value from our portfolio.

During the course of the year I took over the role of Chairman from Bill Adamson, when he stepped down from the Board to enable him to concentrate on his work in the voluntary sector. Bill had been Chairman for just under five years, during which time he presided over a period of transition for the Company, including the appointment of Hugh Mackay as Chief Executive. The Board and I would like to thank Bill for his efforts during this period.

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.

Colin Bousfield, Chairman

2 October 2015

Year in Review

Making progress across our business

Free flowing oil confirmed from Wressle, East Lincolnshire

In March 2015, Egdon Resources confirmed aggregate oil production rates equivalent to 710 barrels of oil equivalent per day ('boepd'), following testing operations on three potentially hydrocarbon bearing zones at the Wressle-1 oil discovery in East Lincolnshire. A subsequent EWT on the Penistone Flags zone flowed 182 boepd. Wressle is located on the PEDL180 licence in which Europa has a 33.3% working interest, alongside its partners Egdon (operator, 25%), Celtique Energie Petroleum Ltd (33.3%), Union Jack Oil (8.3%).

"This discovery has the potential to significantly increase our existing UK reserves, production and revenues."
Hugh Mackay, CEO

Year in Review (continued)

Southern North Sea

Licence awarded

In July 2015 the Oil and Gas Authority, the UK oil and gas regulator, confirmed the conditional award of a Promote Licence over Block 41/24 in the Southern North Sea to a joint venture comprising Europa (50%) and Arenite Petroleum Limited (50%), a private company registered in Scotland. The Licence has been awarded as part of the second tranche of offers in the 28th Seaward Licensing Round.

Hugh Mackay, CEO, said "We are delighted to announce this award. As a consequence of previous and ongoing work we have considerable technical expertise on Carboniferous prospectivity as well as substantive seismic and other technical data in this area."

Holmwood

Favourable Planning Inspectorate decision

The Planning Inspectorate has allowed Europa's appeal against Surrey County Council's decision not to grant permission to drill one exploratory borehole and undertake a short term test for hydrocarbons at the Holmwood prospect ('Holmwood') in the PEDL143 licence in the Weald Basin, Surrey. Subsequent to the period end, Surrey County Council granted planning permission for the underground well path.

Hugh Mackay, CEO, said "We are pleased with the Planning Inspector's decision. With mean gross un-risked 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".

Strategic report - Our strategy

Creating value

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

Our strategy [wheel]

<u>Shareholder value</u>

Generate Shareholder Value by finding and producing oil and gas

<u>Manage portfolio</u>

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

<u>Areas of interest</u>

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

<u>Maximise investor value</u>

Exit projects at the point of maximum value for investors

<u>Manage risk</u>

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

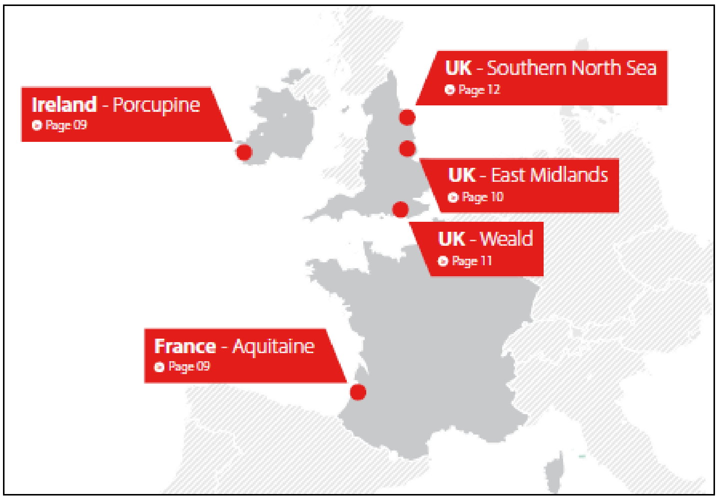
Country	Area	Licence	Field/ Prospect	Operator	Equity	Status
UK	East Midlands	DL 003	West Firsby	Europa	100%	Production
		DL 001	Crosby Warren	Europa	100%	Production
		PL 199/215	Whisby-4	BPEL	65%	Production
		PEDL180	Wressle	Egdon	33%	Exploration
		PEDL181		Europa	50%	Exploration
		PEDL182	Broughton	Egdon	33%	Exploration
	Weald	PEDL143	Holmwood	Europa	40%	Exploration
	Southern North Sea	Block 41/24		Europa	50%	Promote
Ireland	Porcupine	FEL 2/13	Doyle	Kosmos	15%	Exploration
		FEL 3/13	Beckett, Wilde, Shaw	Kosmos	15%[1]	Exploration
France	Aquitaine	Béarn des Gaves	Berenx (deep and shallow)	Europa	100%	Exploration
		Tarbes val d'Adour		Vermilion	20%	Exploration

[1] On 22 September 2015, Europa announced that Kosmos intends to withdraw from the two Irish licences. Europa has applied to the Irish Authorities to assume 100% equity and operatorship.

Strategic report – Operations

Operations at a glance

Europa has a diverse portfolio of conventional hydrocarbon assets at various stages of the development cycle including exploration and production.



Strategic report – Operations

Ireland

Exploration - Porcupine Basin Frontier Exploration Licences ("FELs") 2/13 and 3/13 - Europa (15%); Kosmos (85% and operator). (Note that on 22 September 2015, Europa announced that Kosmos intends to withdraw from the two licences. Europa has applied to the Irish Authorities to assume 100% equity and operatorship).

The exploration model for these licences is the Cretaceous stratigraphic play: comprising Early Cretaceous turbidite sandstone reservoirs; charged by mature Late Jurassic and Early Cretaceous source rocks and contained in stratigraphic traps with elements of structural closure. The Cretaceous play in Ireland is essentially undrilled and is considered to be analogous to the same play in the equatorial Atlantic Margin province that has delivered the Jubilee and Mahogany oil fields.

The key activity during the year has been interpretation of more than 2,500 km^2 of 3D seismic data over FEL 2/13 and 3/13. The data was acquired in H2 2013, the final processed data set was delivered in Q2 2014 and the operator Kosmos delivered a prospect inventory in Q4 2014 (see RNS of 8 December 2014).

Europa followed on from this work by Kosmos and conducted its own independent prospect mapping over both licences. This mapping provided the basis for a CPR by ERCE on the prospects and risks in FEL 3/13. A summary of the CPR is tabulated below and was provided to the market in an RNS dated 12 May 2015. The CPR identifies gross mean un-risked Prospective Resources of approximately 1.5 billion barrels of oil equivalent ("boe") across three prospects in FEL 3/13 and gross mean risked Prospective Resources of 235 million boe.

FEL 3/13	Gross Prospective Resources mmboe*						
	Un-risked						
Prospect	Low	Best	High	Mean	Chance of success	1 in	Gross mean risked
Wilde	61	239	952	428	19%	5.3	81
Beckett	109	424	1661	749	15%	6.7	112
Shaw	57	198	681	315	13%	7.7	41
Total	**227**	**861**	**3294**	**1492**			**235**

*million barrels of oil equivalent, using a conversion factor of 6 mscf per stb. The hydrocarbon system is considered an oil play. However, due to significant uncertainties in the available geological information, there is a possibility of a gas charge.
Note: the Total row is a deterministic sum.

The three prospects Beckett, Wilde and Shaw have Cretaceous submarine fan sandstone reservoirs and are part of the Cretaceous submarine fan hydrocarbon play. These new prospects replaced the Kiernan prospect previously identified by Europa on historic 2D seismic data (see RNS dated 16 January 2013). As a consequence of its detailed work in preparation for the CPR, Europa has identified both a prospect and shotpoint location for what would be a play-opening first well in FEL 3/13.

The CPR represents the culmination of substantial work by three very experienced technical teams: Kosmos, Europa and ERCE. The work has been subjected to robust and in-depth technical challenge. Europa has utmost confidence in the quality of the work and the Prospective Resources and risks derived from the work. These are very significant volumes of hydrocarbons. Europa considers the prospects to be at drillable prospect status. The CPR provides a strong endorsement to Europa's long held view that the Porcupine Basin has the potential to become a major new North Atlantic hydrocarbon province.

In addition to the CPR Europa also commissioned ERCE to complete an independent assessment of the value of its interests in FEL 3/13. Although it is comparatively unusual for junior oil companies to commission such third party valuation work at this early stage in the exploration cycle, in view of the very large potential Prospective Resources Europa feels it is important that investors are provided with an independent and credible valuation. As with the CPR, the valuation has been subjected to rigorous technical challenge and scrutiny by ERCE.

The results of the study were released to the market in an RNS on 16 June 2015 and ERCE estimated a mean Unrisked Net Present Value at a 10% discount ("NPV10") of approximately US$1.6 billion to Europa's 15% net interest in three prospects; Wilde, Beckett and Shaw. On a risked basis the results of this study estimate a mean risked NPV10 of US$251 million. These prospects are at the pre-drill stage and realisation of this potential value will require the drilling of exploration wells. Note that the valuation was based on the Kosmos carry arrangements and Europa's 15% interest prevailing at the time. Since the preparation of the CPR, Kosmos have informed Europa of their decision to withdraw from Ireland which is expected to result in Europa assuming 100% interest. The Gross Un-risked Prospective Resources remain unchanged at 1.5 billion barrels, but the value to Europa will need to be adjusted to reflect any new farm-in arrangements. Nevertheless the work remains valid and the Directors believe that it provides a valid benchmark for what a 15% carried interest could be worth. The NPV10 of a 15% carried interest as at 1 January 2015 for the Low, Best and High estimates of Prospective Resources are tabulated below:

	Gross Prospective Resources mmboe*			**Net Un-risked NPV10 (US$ million)**				**Chance of Success**	**Net Risked NPV10 (US$ million)**
Prospect	**Low**	**Best**	**High**	**Low**	**Best**	**High**	**Mean**	**(%)**	**Mean**
Wilde	61	239	952	- 10	109	1,227	408	19%	78
Beckett	109	424	1661	- 10	400	2,366	867	15%	130
Shaw	57	198	681	- 10	110	970	332	13%	43
Total							**1607**		**251**

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 the possibility that exploration drilling will result in the discovery of gas.

2. mmboe 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 Unrisked 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 "Unrisked" in that the volumes have not been multiplied by the COS.

6. Net Unrisked NPV10 means the NPV10 at 10% discount rate as at 1 January 2015 attributable to Europa's assumed 15% working interest in the Prospect before multiplying by the COS.

7. Net Risked NPV10 means the NPV10 at 10% discount rate as at 1 January 2015 attributable to Europa's assumed 15% working interest in the prospect after multiplying by the COS; as under the Kosmos carry arrangements Europa did not incur the cost of the exploration well, the Net Risked NPV10 is equal to the Expected Monetary Value ("EMV").

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, after allowing for Europa's carry under the terms of the Kosmos farm-in; 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 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. Assumes an oil price of US$60 bbl in 2015 rising to US$92 bbl by 2018 and inflated at 2% thereafter.

The Beckett, Wilde and Shaw prospects are located SW of Ireland, approximately 125 km from shore. Due to water depths in excess of 1,000m each prospect would be developed by a Floating, Production, Storage and Offloading unit ("FPSO") in the event of successful exploration drilling. The prospects are located in challenging environmental conditions, where high wave heights must be accounted for in FPSO design. This in turn limits throughput rates. Discovery size will also alter facility design, particularly with respect to produced gas handling. ERCE has accounted for these aspects in its forecasting work. ERCE conducted an independent review of the production, operating expenditure, capital and abandonment expenditure and associated discounted cash flow analysis of two Prospects; Beckett and Wilde and used that analysis to derive value for the Shaw Prospect.

Europa notes that costs used in the NPV10 calculation reflect the US$100/bbl oil price prevailing over much of the last five years. The Company hopes that a continued period of lower oil prices might be reflected in lower costs. Sensitivity analysis suggests that a 20% decrease in capital expenditure might increase the net NPV10 by approximately 10-15%. Whilst it is too early in the current low oil price cycle to provide direct evidence of lower costs for development capital expenditure there has been an immediate reduction in day rates for drilling rigs. For example, while the valuation assumed a rig rate of US$600,000 per day, currently rigs capable of drilling offshore Ireland are available for around US$300,000 per day.

During the course of its independent mapping of FEL 2/13, Europa has identified new prospects and leads at additional stratigraphic levels. These are in addition to the Doyle A and Doyle B prospects previously identified on the licence in the RNS of 8 December 2014 and with gross mean unrisked Prospective Resources of 123 mmbo for Doyle A and 69 mmbo for Doyle B.

The First Phase of both licences was for three years and is scheduled to end in July 2016. The work programme obligation for Phase 1 has been fulfilled with the acquisition of the 2013 3D seismic survey. The Second Phase would be for a four year term from July 2016 until July 2020 and the work programme for each licence would include drilling a commitment well. Europa is required to advise the Irish Authorities of its intentions in April 2016.

The full CPR was not released into the public domain for reasons of confidentiality arising from the 2015 Atlantic Margin Licensing Round that closed in September 2015 and for which awards are anticipated during H1 2016.

Subsequent to the reporting period end Kosmos elected to withdraw from FEL 2/13 and 3/13 and to exit from Ireland. Subject to Irish Government approval Kosmos' 85% equity and operatorship will be returned to Europa bringing our interest to 100% in both licences. Europa will seek new partners with whom to take the licences forward. As a consequence of the substantial independent proprietary work already invested, Europa is fully prepared to take over operatorship and to resume farm-out of these licences.

2015 Atlantic Margin Licensing Round

Europa has made multiple applications in the 2015 Atlantic Margin Licensing Round. Europa has been actively working Atlantic Margin basins since 2011 and we firmly believe in the technical and commercial case for exploration in this basin. Our applications represent the culmination of all the technical and commercial knowledge accumulated during this period. We have benefited from our previous purchase of over 12,000 km of legacy 2D seismic data and of critical importance are insights derived from our interpretation of over 2,500 km^2 of 3D seismic data acquired over FEL 2/13 and 3/13.

Our performance in the 2011 Atlantic Margin round was strong: within two years of award of two Licensing Options we farmed out, converted to Frontier Exploration Licences and acquired the biggest ever 3D survey offshore Ireland. As a consequence of the very strong technical work supporting our 2015 applications we are confident that were we to be awarded any new Licensing Options we would be able to rapidly progress and exceed our 2011 performance.

The round closed on 16 September 2015 and the Irish Authorities reported they have received 43 applications from major, mid cap and small companies, the largest number of applications ever received in any Irish offshore licensing round. Given the record number of applications in the round, and the significant values demonstrated by the CPR, the Board is confident there will be interest in partnering with Europa in both our existing licences in the Porcupine and any new awards.

France

Tarbes val d'Adour – Europa (20%), Vermilion (80% and operator)
In February 2015 Europa announced a farm-out of the Tarbes val d'Adour permit ('Tarbes'), to Vermilion REP SAS, a wholly owned subsidiary of Vermilion Energy Inc (`Vermilion') a Calgary based international oil and gas producer. Post farm-out, Europa holds a 20% interest in Tarbes, which is located in the Aquitaine Basin, onshore France.

Under the terms of the farm-out, Vermilion acquires an 80% interest in, and operatorship of, Tarbes with Europa holding the remaining 20% interest.

Vermilion will assume 100% of the cost of a work programme, which may include seismic acquisition/reprocessing and drilling operations up to a total of €4.65 million. Once costs above this level are incurred, Europa will be responsible for its 20% share of future costs.

The farm-out is subject to the relevant approvals being granted by the French authorities - for the transfer of equity and operatorship to Vermilion and obtaining an extension for the permit. Both these approval processes started in H2 2014 and it is hoped that approvals will be granted during H1 2016.

Vermilion have commenced technical work beginning with review and compilation of all existing seismic and well data into a consolidated database. Work will proceed with seismic reprocessing and seismic interpretation leading to delivery of a new prospect inventory in H2 2016. Further work will be programmed according to the content of the prospect inventory and may include drilling.

Tarbes contains several oil accumulations that were previously licensed by Elf but were abandoned in 1985 due to a combination of technical issues and low oil prices. Two fields, Jacque and Osmets, were drilled using vertical wells and generated modest production.

Vermilion is the leading exploration and production company currently active in France with net production of approximately 12,500 boepd. They have an excellent technical and operational track record with specific experience of workovers, infill drilling, and secondary recovery opportunities. They are the ideal partner for us on this permit.

Béarn des Gaves 100%
Europa holds a 100% interest in the onshore Béarn des Gaves permit in the Aquitaine basin. The permit contains two prospects: Berenx Deep and Berenx Shallow. Berenx Deep is an appraisal project having previously been explored and drilled by EssoRep with two wells, Berenx-1 (1969) and Berenx-2 (1972), both encountering strong gas shows over a 500m thick gas bearing zone. In 1975 Berenx-2 was re-entered, drill stem tested and flowed gas to surface from the same carbonate reservoir that delivered 9 tcf and 2 tcf from nearby fields at Lacq and Meillon.

Europa's in-house technical work indicates that the Berenx deep appraisal prospect could hold in excess of 500 bcf of recoverable gas resources. In a CPR dated 31 May 2012, ERC Equipoise estimated gross mean un-risked resources of 277 bcf for the Berenx deep gas play. The difference between Europa's and ERC's assessment of resources reflects the confidence of each party in mapping in a geologically complex terrain. Europa was able to map a larger area of closure and as a consequence larger resources.

Thorough re-evaluation and interpretation of existing seismic and well data on the permit has resulted in the definition of a new shallow gas prospect, Berenx Shallow with potential gross mean un-risked resources of 107 bcf. Scoping economics suggests a value of US$11.5/boe and NPV10 of US$170 million.

The Company's strategy for Béarn des Gaves is to farm-out, drill a well on Berenx Shallow with the aim of delivering a commercial flow rate and, on the back of commercial success, to further appraise the shallow prospectivity and undertake work to de-risk the Berenx Deep appraisal prospect. The Berenx Shallow prospect can be tested with a comparatively simple exploration well with an anticipated total depth of 2,500m.

The permit has been renewed for a period of five years from 22 March 2012 and carries an expenditure commitment of approximately €2.5 million. A farm-out process for the permit is currently underway in tandem with well planning and permitting for a well location on Berenx Shallow ahead of drilling in the next 18 months. A wellsite has been identified and a lease has been prepared.

United Kingdom

NE Lincolnshire - PEDL180 33.3% (Wressle)

Following a partial relinquishment under the terms of the licence, in June 2015, PEDL180 covers an area of 40 km^2 of the East Midlands Petroleum Province 5 km southeast of the Europa operated Crosby Warren field which has been producing oil for 29 years. Europa has a 33.3% working interest in the block with its partners Egdon Resources (operator, 25%), Celtique Energie Petroleum Ltd (33.3%) and Union Jack Oil (8.3%).

The Wressle-1 exploration well was spudded in July 2014 and targeted a conventional oil prospect, estimated by the operator to hold mean gross un-risked recoverable resources of 2.1 mmbo. The well reached a total depth of 2,240 metres (1,814 metres TVDSS) in August 2014.

Both the stratigraphy and reservoir horizons encountered by the well were in accordance with the pre-drill geological forecast which was based on 49 km^2 of 3D seismic acquisition acquired in 2012. Petro-physical evaluation indicated over 30 metres measured thickness of potential hydrocarbon pay in three main intervals: Penistone Flags with up to 19.8 metres measured thickness (15.9 metres vertical thickness) of potential hydrocarbon pay; Wingfield Flags with up to 5.6 metres measured thickness (5.1 metres vertical thickness) of potential hydrocarbon pay; and Ashover Grit with up to 6.1 metres measured thickness (5.8 metres vertical thickness) of potential hydrocarbon pay.

Wressle was production tested with a dedicated test rig during Q1 2015 and achieved the following results:

- 710 boepd aggregate from 4 tests in three sandstone reservoirs
- Ashover Grit - 80 bopd and 47 mcfd, free flow
- Wingfield Flags - up to 182 bopd and 0.456 mmcfd, free flow
- Zone 3 Penistone Flags - up to 1.7 mmcfd and up to 12 bopd, free flow
- Zone 3a Penistone Flags - 77 bopd, swabbed

During June 2015 Extended Well Test ("EWT") operations commenced. The Penistone Flags Zone 3A interval was pumped for a period of time and achieved average rates over a three day period of 131 barrels of oil per day ("bopd") and 222,000 cubic feet of gas, equating to 168 boepd. The average producing gas oil ratio ("GOR") was 1,700 cubic feet of gas per barrel of oil ("scf/stb"). Due to increasing gas rates the pump was stopped and the well allowed to naturally flow to surface on a series of decreasing choke sizes from 12/64" down to 8/64" (being the smallest available). Average rates over a two day period on the 8/64" choke were 105 bopd with 465,000 cubic feet of gas per day, equating to 182 boepd with an average producing GOR of 4,450 scf/stb. During the course of this flow testing no associated formation water was produced. The gas production rate increased to the point where it approached the limits allowed under the environmental permit and production from the interval was now been halted.

During initial testing in Q1 2015, the Ashover Grit interval achieved free flowing oil production rates equivalent to 80 bopd and 47 thousand cubic feet ("mcf") of gas per day during a 16 hour main flow period. Analysis of the well test data indicates that the flow rates were impaired due to a high 'Skin Factor' and therefore were not representative of the flow rates that could be attained from this interval when 'cleaned up'. Unfortunately it was not possible to re-establish flow rates from the Ashover Grit interval during the EWT, due to either a mechanical problem with the down-hole completion, an annular blockage, or an impairment of the perforations caused by the well completion operation. .

The partners are examining options that could be implemented to reduce the Skin Factor and increase production.

In parallel with this activity the partnership is reprocessing the 3D to enable more detailed geophysical evaluation of the producing horizons. This work will help inform both a new CPR for the Wressle discovery and the Field Development Plan. Subject to favourable outcomes to this work the intention is to commence early production from Wressle.

NE Lincolnshire - PEDL182 33.3% (Broughton)

Following a partial relinquishment under the terms of the licence, in June 2015, PEDL182 covers an area of 19 km^2. The Broughton prospect was previously drilled by BP and flowed oil. Broughton is located on structural trend with the producing Crosby Warren oil field and the Wressle prospect on PEDL180. The partnership is reprocessing the 2012 3D survey and will be remapping the Crosby Warren-Wressle trend. Interpretation of the 3D together with the results of the Wressle discovery may result in new drillable propects being matured on this trend.

NE Lincolnshire - PEDL181 50% (Kiln Lane)

Europa has a 50% interest in and is the operator of the PEDL181 licence, with Egdon Resources UK Limited and Celtique Energie Petroleum Ltd, each holding a 25% interest. PEDL181 is located in the Carboniferous petroleum play and covers an area of over 540 km^2 in the Humber Basin.

Following acquisition of 2D seismic in 2013 and subsequent interpretation and mapping, a conventional exploration well was drilled at the Kiln Lane prospect in February 2015 and reached a total depth of 2,291m in March 2015. Whilst Carboniferous sandstone reservoirs were penetrated in accordance with the pre-drill geological forecast these proved to be water wet. The well was plugged and abandoned and the site has now been restored and returned to agriculture.

Whilst a disappointing outcome, the well was drilled safely, on schedule, on budget and demonstrated fast-track performance in terms of navigating the planning and permissions process.

Europa is completing post-well analysis of the Kiln Lane-1 well, in particular the impact of the well result on the remaining prospectivity in the licence. The partnership will make a decision regarding its continued activity in the licence during the upcoming year.

Dorking area - PEDL143 40% (Holmwood)

The PEDL143 licence covers an area of 92 km2 of the Weald Basin, Surrey. Europa is the operator and has a 40% working interest in the licence with partners Warwick Energy (20%), UK Oil & Gas (20% subject to approval), Egdon Resources (18.4%), and Altwood Petroleum (1.6%).

The Holmwood prospect is a conventional Jurassic sandstone reservoir with a low geological risk. The May 2012 CPR estimated Holmwood to hold gross mean recoverable resources of 5.64 mmbo. Europa considers Holmwood to be one of the best undrilled conventional exploration prospects in the UK.

The prospect lies south of Dorking within the Surrey Hills Area of Outstanding Natural Beauty. An application to construct a temporary exploration well on the site was originally made in 2008. This application was refused in 2011 by Surrey County Council contrary to their planning officer's recommendation to approve. An appeal to overturn the decision was heard at a public inquiry in July 2012. The appeal was dismissed on 26 September 2012.

Europa, along with its partners, applied for an order to quash the decision of the Secretary of State for Communities and Local Government's appointed Inspector to dismiss the appeal. On 25 July 2013, the Royal Courts of Justice gave judgment in favour of Europa and quashed the Inspector's decision. An appeal was submitted to the Court of Appeal which was subsequently dismissed by the Court on 19 June 2014. As a result, Europa's appeal against Surrey County Council's refusal to grant planning permission to drill one exploratory borehole and undertake a short-term test for conventional hydrocarbons at the Holmwood prospect was remitted to the Planning Inspectorate for redetermination. A further planning inquiry was conducted in April and June 2015 and the Planning Inspectorate issued a decision to allow the appeal on 7 August 2015.

The intended Holmwood exploration well is a deviated well and as a consequence of changes in regulations since submitting the original planning application in 2008 planning permission is also required for the underground well path. A planning application for the underground well path only was submitted in May 2014 and was heard by the planning committee on 23 September 2015 who approved the application.

Europa and its joint venture partners will now commence detailed well planning with the intent of conducting drilling operations in 2016/17. Europa and Warwick Energy will jointly farm-out some of their combined 60% interest in the licence. This process has already started.

Production (West Firsby 100%; Crosby Warren 100%; Whisby W4 well 65%)

The three UK fields, plus a small contribution from Wressle, produced an average of 141 boepd (2014: 165 boepd) during the year under review. The fields are in decline and whilst we are maximizing opportunities to reduce downtime and decrease cost we feel the best way to access more production is through the exploration drill bit. The Wressle discovery offers an opportunity to increase production.

14th Landward Licensing Round

Europa has submitted bids in the 14th Landward Licensing Round in onshore UK. None of Europa's applications were for blocks awarded in Tranche 1 and announced in August 2015. We understand that Tranche 2 will be announced later in 2015 and we hope that we will be successful.

Southern North Sea - block 41/24 50%

Europa bid with Arenite Petroleum Limited (50%) a private Scottish company in the 28th Seaward Licensing Round and was conditionally awarded a Promote Licence on block 41/24 in the Southern North Sea in July 2015. The block lies immediately offshore the town of Scarborough on the Yorkshire coast. Block 41/24 was previously partly licensed to Europa Oil & Gas (100%) as a Traditional Licence (P.1131) in the 21st Round. The licence was relinquished at the end of the Initial Term as the Zechstein discoveries were assessed as being small and sub-economic. The focus of work during the Promote Licence phase is to investigate the potential of the Carboniferous sequence which has largely been overlooked as a viable target to date within block 41/24 but there are numerous hydrocarbon accumulations in the onshore extension of the Cleveland Basin and further south in the East Midlands.

Financials

With a small contribution from Wressle our production this year averaged 141 boepd and generated £2.2 million in revenues (2014: 165 boepd and £3.9 million). The average oil price achieved in the year was $68.2/bbl (2014: $107.7/bbl) with the second half of the year $58.3/bbl (H1 $77.8/bbl) which we believe is more representative of what we might expect next year.

As announced in January 2015, the West Firsby 9 production well requires a recompletion, but at the prevailing oil price it remains uneconomic to work the well over for an incremental ~8 bopd. While most of the costs associated with our production are fixed in nature we have implemented various cost saving measures to help mitigate the effect of the falling oil price and cost of sales excluding exploration write-off and impairment was £1.9 million (2014: £2.3 million). We will continue to review and implement cost saving initiatives across our whole business over the coming year.

Administrative expenses of £977,000 (2014: £832,000) included: £267,000 of expenditure on new licence applications in the UK 14th Landward Licensing Round and the Irish Atlantic Margin Licensing Round (2014: £97,000); and £106,000 of costs associated with the Tarbes farm-out.

Cash used in continuing operations for the year was £0.3 million (2014: cash generated £1.4 million).

In July 2015, we completed a placing of shares and an open offer to existing shareholders which together raised £2.2 million after expenses. Our cash balance at the period end stood at £3.2 million (2014: £4.5 million).

We recorded a £1.1 million (2014: £1.2 million) impairment of the West Firsby field which arises from lower assumed oil prices and lower recoverable reserves used in the cash flow model.

We also recorded a £2.2 million (2014: nil) write-off of exploration expenditure associated with the Kiln Lane exploration well on PEDL181.

Results for the year

The Group loss for the year after taxation from continuing activities was £1,784,000 (2014 loss: £368,000, with a profit from discontinued operations of £933,000).

Conclusion

This has been an active year. In the UK we have participated in two exploration wells, made one oil discovery and obtained planning permission for the Holmwood exploration well. We have successfully farmed out our Tarbes permit in France and are working to farm-out the Bearn des Gaves permit. We have completed substantial work on our Irish licences leading to a CPR for FEL 3/13 with gross mean un-risked Prospective Resources of 1.5 billion boe and for which a 15% carried interest was ascribed a net mean un-risked NPV10 of US$1.6 billion by ERCE. Further information will emerge over the coming months as we progress our application to assume 100% interest and operatorship and commence farm-out activities. Europa is determined to expand its position in Ireland and has submitted multiple applications in the 2015 Atlantic Margin licensing Round with the intention of building a strategic position. Irish awards are anticipated in H1 2016. Europa has submitted several applications in the 14th Landward Licensing Round onshore UK with award anticipated in Q4 2015. We are evaluating plans for the commercialization of the Wressle oil discovery. We are commencing well planning for the Holmwood prospect. Together with our recently awarded promote licence in Block 41/24 2016 promises to be an exciting year as we realise the potential in our existing licences and build our portfolio through new licence awards. In parallel with this we will continue to actively review consolidation opportunities and we will not hesitate to act provided this makes a valid investment proposition for Europa shareholders.

Hugh Mackay, CEO

2 October 2015

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
Funding	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. 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.	Detailed cash forecasts are prepared frequently and reviewed by management and the Board. 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 a £350,000 overdraft facility and the placing of Europa shares in the market.
Commodity price and foreign exchange	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. 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.	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.
Exploration, drilling and operational risk	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. Securing planning consent for onshore wells takes times and the outcome of planning applications is not certain. 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. 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.	Current production comes from 6 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. Appropriate insurance cover is obtained annually for all of Europa's exploration, development and production activities.

On behalf of the Board

P Greenhalgh, Finance Director
2 October 2015

Strategic report – Responsible exploration

Kiln Lane site restoration

Europa's performance at Kiln Lane represents fast-track exploration.

- November 2013 joint venture partners approve a well at Kiln Lane
- December 2013 drill site reconnaissance
- January 2014 select preferred drill site
- February 2014 exchange Head of Terms with landlord
- March 2014 pre-application meeting with NE Lincs planning officers
- May 2014 met with Environment Agency, Parish Council meetings
- June 2014 submit notice of planning application
- July 2014 planning application received and validated by Council, signed lease
- August 2014 EA mining waste permit application submitted and duly made
- October 2014 planning permission approved by council subject to condition
- December 2014 discharged conditions, EA Permit issued
- January 2015 build site
- February & March 2015 drill well
- April 2015 restore site

Strategic report – Conventional oil and gas

History of onshore oil in the UK

The conventional oil and gas industry onshore UK began in 1918 when an exploration well was drilled at Hardstoft in Derbyshire and produced oil from a Dinatian limestone reservoir. Since then more than 2,100 wells have been drilled with peaks in activity during WW2 and the 1980s. Onshore production peaked in 1996 at over 100,000 bopd, today's production is around 20,000 bopd. Major oil companies like BP, Chevron and Conoco previously worked onshore UK but now the sector is mostly worked by junior oil companies. The largest onshore UK field is the 500+ mmbo Wytch Farm field in Dorset, developed by BP and now operated by Perenco. It is the second largest onshore oil field in Europe. Typically onshore oil fields have reserves in the range 1 – 11 mmbo and are produced from a single drill pad with a number of deviated wells accessing various reservoir compartments over a period of 15-30 years.

Although onshore UK has some 44 oil fields and 14 gas fields, they have been low profile and low impact operations. In its 100 year history the conventional onshore oil industry has not created an environmental catastrophe or industrialisation of the landscape. Until the advent of shale gas many people were unaware the onshore oil industry even existed.

Conventional or unconventional oil

Conventional oil and gas prospects typically consist of limestone or sandstone reservoir rocks with oil and or gas contained in the pore spaces within the rock. The oil and or gas is created in an organic rich source rock, typically a mudstone, and once the source rock is buried to sufficient depth for temperature to exceed ~100 celcius hydrocarbons will migrate out and upwards from the source into a reservoir rock where they may become trapped by a structure with an impermeable mudstone topseal and hydrocarbons might accumulate. If a well is drilled into this structure the oil will often free flow up the well to the surface where it will be collected and taken by road tanker to a refinery for sale. If the well ceases to free flow to surface it will often be pumped, usually in the onshore UK by beam pump ("nodding donkey"). Reservoir rocks may require various stimulation techniques to enhance flow such as acid squeezes, diesel/solvent squeezes, drain hole/perforation jetting and proppant squeezes. These techniques have been employed since the 1920s.

The unconventional industry targets the source rocks themselves. These are usually fine grained mudstones and siltstones and generally will not allow unstimulated flow. Special stimulation techniques such as "unconventional high volume hydraulic fracturing" have been developed to split the rocks and liberate hydrocarbons from the pore spaces. This technique is known as "fracking". Depending on whether the source rock delivers oil or gas it will be called a shale oil or shale gas play. Whereas a conventional oil field is typically produced from one drill pad shale gas or oil plays in the USA have some similarities to the mining industry and the "seam" of shale will be produced from many drill pads.

Fracking

The unconventional or fracking industry was pioneered in the USA where it has been very successful. The unconventional industry in the UK is at a very early stage. There is no production, the industry is at the exploration stage and it is trying to establish if the source rocks present in onshore UK are indeed capable of commercial production. The source rocks in onshore UK have different chemical and physical rock properties to those in onshore USA. With so little exploration drilling and production testing having taken place it is unknown whether UK shale gas and oil will perform better, worse, the same or just differently to the USA. Whereas it is easy for the public to visualise what conventional oil and gas production looks like in onshore UK by visiting any one of 58 production sites it is not possible to visit a shale gas production site in the UK because there are none. The public is relying on USA examples, it is not known if these are appropriate for the UK.

In the UK the term "fracking" should only be applied to unconventional high volume hydraulic fracturing for shale gas of oil. It should not be applied to conventional oil and gas, coal bed methane (CBM) or underground coal gasification (UCG) since they do not use this technique.

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 company 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 Avannaa 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 2) and Strategic report (page 4).

Future developments

Details of expected future developments for the Group are set out in the Chairman's statement (page 2) and Strategic report (page 4).

Dividends

The Directors do not recommend the payment of a dividend (2014: £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	
	2015	**2014**	**2015**	**2014**
CW Ahlefeldt-Laurvig [1]	25,502,442	25,502,442	-	-
C Bousfield	273,958	-	500,000	500,000
RJHM Corrie [2]	574,739	413,470	500,000	500,000
P Greenhalgh	520,973	387,640	3,075,000	3,075,000
HGD Mackay	2,507,549	2,340,883	6,600,000	6,600,000

1. CW Ahlefeldt-Laurvig holds his shares through HSBC Global Custody Nominee (UK) Limited.
2. RJHM Corrie has interest in 432,848 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 and 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 23 to the financial statements.

Related party transactions
See note 26 to the financial statements.

Post reporting date events
See note 27 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 2015.

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

P Greenhalgh, Finance Director
2 October 2015

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 and Gas (Holdings) plc for the year ended 31 July 2015 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

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 2015 and of the Group's profit 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
2 October 2015

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	**2015** £000	2014 £000
Revenue	2	**2,205**	3,878
Other cost of sales	2	*(1,900)*	*(2,301)*
Exploration write-off	11	*(2,205)*	-
Impairment of producing fields	12	*(1,100)*	*(1,203)*
Total cost of sales		**(5,205)**	(3,504)
Gross (loss)/ profit		**(3,000)**	374
Administrative expenses		**(977)**	(832)
Finance income	6	**55**	20
Finance expense	7	**(208)**	(244)
Loss before taxation	3	**(4,130)**	(682)
Taxation credit	9	**2,346**	314
Loss for the year from continuing operations		**(1,784)**	(368)
Discontinued operations			
Profit for the year from discontinued operations	8	**-**	933
(Loss)/profit for the year attributable to the equity shareholders of the parent		**(1,784)**	565
Other comprehensive loss			
Those that may be reclassified to profit and loss:			
Recycling of foreign currency translation reserve on disposal of operations		**-**	(417)
Total comprehensive (loss)/income for the year attributable to the equity shareholders of the parent		**(1,784)**	148

(Loss)/earnings per share (LPS/EPS) attributable to the equity shareholders of the parent	Note	**Pence per share**	Pence per share
Basic and diluted LPS from continuing operations	10	**(0.86)p**	(0.21)p
Basic and diluted EPS from discontinued operations	10	**-**	0.53p
Basic and diluted (LPS)/EPS from continuing and discontinued operations	10	**(0.86)p**	0.32p

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 31 July	Note	2015 £000	2014 £000
Assets			
Non-current assets			
Intangible assets	11	**4,839**	3,553
Property, plant and equipment	12	**1,562**	3,046
Total non-current assets		**6,401**	6,599
Current assets			
Inventories	14	**13**	32
Trade and other receivables	15	**374**	456
Cash and cash equivalents		**3,151**	4,501
		3,538	4,989
Total assets		**9,939**	11,588
Liabilities			
Current liabilities			
Trade and other payables	16	**(1,043)**	(970)
Current tax liabilities		**(141)**	(220)
Derivative	16	**(32)**	(35)
Short-term borrowings	17	**(23)**	(22)
Short-term provisions	19	**-**	(4)
Total current liabilities		**(1,239)**	(1,251)
Non-current liabilities			
Long-term borrowings	17	**(141)**	(164)
Deferred tax liabilities	18	**(109)**	(2,371)
Long-term provisions	19	**(2,143)**	(1,959)
Total non-current liabilities		**(2,393)**	(4,494)
Total liabilities		**(3,632)**	(5,745)
Net assets		**6,307**	5,843
Capital and reserves attributable to equity holders of the parent			
Share capital	20	**2,449**	2,049
Share premium		**15,901**	14,080
Merger reserve	20	**2,868**	2,868
Retained deficit		**(14,911)**	(13,154)
Total equity		**6,307**	5,843

These financial statements were approved by the Board of Directors and authorised for issue on 2 October 2015 and signed on its behalf by:

P 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	Share premium	Merger reserve	Foreign exchange reserve	Retained deficit	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 August 2013	1,379	13,160	2,868	417	(15,921)	1,903
Issue of share capital (net of costs, note 20)	670	920	-	-	2,120	3,710
Profit for the year attributable to the equity shareholders of the parent	-	-	-	-	565	565
Other comprehensive loss for the year	-	-	-	(417)	-	(417)
Share based payment (note 21)	-	-	-	-	82	82
Balance at 31 July 2014	**2,049**	**14,080**	**2,868**	**-**	**(13,154)**	**5,843**

	£000	£000	£000	£000	£000	£000
Balance at 1 August 2014	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
Balance at 31 July 2015	**2,449**	**15,901**	**2,868**	**-**	**(14,911)**	**6,307**

The accompanying notes form part of these financial statements.

Company statement of financial position

As at 31 July	Note	2015 £000	2014 £000
Assets			
Non-current assets			
Intangible assets	11	**1,160**	1,248
Property, plant and equipment	12	**321**	346
Investments	13	**2,332**	3,326
Amounts due from Group companies	26	**331**	-
Total non-current assets		**4,144**	4,920
Current assets			
Other receivables	15	**64**	52
Cash and cash equivalents		**2,423**	1,549
		2,487	1,601
Total assets		**6,631**	6,521
Liabilities			
Current liabilities			
Trade and other payables	16	**(165)**	(193)
Derivative	16	**(32)**	(35)
Short-term borrowing	17	**(23)**	(22)
Total current liabilities		**(220)**	(250)
Non-current liabilities			
Long-term borrowings	17	**(141)**	(164)
Total non-current liabilities		**(141)**	(164)
Total liabilities		**(361)**	(414)
Net assets		**6,270**	6,107
Capital and reserves attributable to equity holders of the parent			
Share capital	20	**2,449**	2,049
Share premium		**15,901**	14,080
Merger reserve	20	**2,868**	2,868
Retained deficit		**(14,948)**	(12,890)
Total equity		**6,270**	6,107

These financial statements were approved by the Board of Directors and authorised for issue on 2 October 2015 and signed on their behalf by:

P 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
Balance at 1 August 2013	1,379	13,160	2,868	(12,741)	4,666
Issue of share capital (net of costs, note 20)	670	920	-	2,120	3,710
Total comprehensive loss for the year	-	-	-	(2,351)	(2,351)
Share based payment (note 21)	-	-	-	82	82
Balance at 31 July 2014	**2,049**	**14,080**	**2,868**	**(12,890)**	**6,107**

	£000	£000	£000	£000	£000
Balance at 1 August 2014	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
Balance at 31 July 2015	**2,449**	**15,901**	**2,868**	**(14,948)**	**6,270**

Consolidated statement of cash flows

For the year ended 31 July	Note	2015 £000	2014 £000
Cash flows from operating activities			
Loss after tax from continuing operations		**(1,784)**	(368)
Adjustments for:			
Share based payments	21	**27**	82
Depreciation	12	**386**	475
Exploration write-off	11	**2,205**	-
Impairment of property, plant & equipment	12	**1,100**	1,203
Disposal of fixed asset	12	**2**	-
Finance income	6	**(55)**	(20)
Finance expense	7	**208**	244
Taxation credit	9	**(2,346)**	(314)
Decrease in trade and other receivables		**79**	184
Decrease in inventories		**19**	1
Decrease in trade and other payables		**(102)**	(60)
Cash (used in)/generated from continuing operations		**(261)**	1,427
Profit after taxation from discontinued operations		**-**	933
Adjustments for:			
Profit on disposal		**-**	(1,034)
Cash used in discontinued operations	8	**-**	(101)
Income tax payment		**-**	(537)
Net cash (used in)/from operating activities		**(261)**	789
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4)**	(3)
Purchase of intangible assets		**(3,394)**	(514)
Receipt of back costs in connection with farm-in		**-**	300
Expenditure on well decommissioning		**(4)**	(363)
Interest received		**7**	6
Net cash used in investing activities		**(3,395)**	(574)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)	20	**2,221**	3,710
Increase in payables relating to share capital issue costs		**71**	-
Repayment of borrowings		**(22)**	(22)
Finance costs		**(18)**	(25)
Net cash from financing activities		**2,252**	3,663
Net (decrease)/increase in cash and cash equivalents		**(1,404)**	3,878
Exchange gain/(loss) on cash and cash equivalents		**54**	(49)
Cash and cash equivalents at beginning of year		**4,501**	672
Cash and cash equivalents at end of year		**3,151**	4,501

The accompanying notes form part of these financial statements.

Company statement of cash flows

For the year ended 31 July	Note	**2015** **£000**	2014 £000
Cash flows from operating activities			
Loss after tax from continuing operations		**(2,085)**	(2,296)
Adjustments for:			
Share based payments		**21**	76
Depreciation	12	**27**	9
Loss on disposal of asset		**2**	-
Provision against investment in subsidiary		**1,000**	-
Movement in intercompany loan		**853**	2,971
Finance income		**(387)**	(885)
Finance expense		**419**	9
(Increase)/decrease in trade and other receivables		**(12)**	1
(Decrease)/Increase in trade and other payables		**(72)**	2
Cash used in continuing activities		**(234)**	(113)
Loss after tax from discontinued operations		**-**	(55)
Cash used in discontinued activities	8	**-**	(55)
Net cash used in operating activities		**(234)**	(168)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4)**	(3)
Purchase of intangible assets		**(125)**	(226)
Receipt for licence back costs in connection with farm-in		**-**	300
Movement on loan to Group companies		**(1,026)**	(2,078)
Interest received		**2**	3
Net cash used in investing activities		**(1,153)**	(2,004)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)	20	**2,221**	3,710
Increase in payables relating to issue of share capital		**71**	-
Repayment of borrowings		**(22)**	(22)
Finance costs		**(16)**	(23)
Net cash from financing activities		**2,254**	3,665
Net increase in cash and cash equivalents		**867**	1,493
Exchange gain on cash and cash equivalents		**7**	2
Cash and cash equivalents at beginning of year		**1,549**	54
Cash and cash equivalents at end of year		**2,423**	1,549

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 2015.

Going concern

In their assessment of going concern the Directors note that the Group is dependent on the existing bank facility in place. The current facility is due to expire in January 2016. Based on correspondence with the Group's bankers the Directors have no reason to believe that the facility will not be renewed on the same or similar acceptable terms in an appropriate timescale. Therefore given this expectation and the continuing cash inflow from the Group's producing 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 IASB and IFRIC have issued the following standards and interpretations:

		Effective date
IFRS 10	Consolidated Financial Statements	1 Jan 2014
IFRS 11	Joint Arrangements	1 Jan 2014
IFRS 12	Disclosure of Interests with Other Entities	1 Jan 2014
IAS 27	Separate Financial Statements	1 Jan 2014

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.

		Effective date (periods beginning on or after)
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
IAS 1	Amendments – disclosure initiative	1 Jan 2016
IAS 16	Amendments – clarification of acceptible depreciation and amortization methods	1 Jan 2016

Notes to the financial statements (continued)

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. The accounting for the Group's share of the results and net assets of these joint arrangements is described below.

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

<u>Oil and gas interests</u>

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.

<u>Pre-production assets</u>

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.

<u>Production assets</u>

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.

<u>Impairment tests</u>

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

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Non-current assets (continued)

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.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

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 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 and 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.

Discontinued Operations

An asset or component is classified as discontinued if the component has been disposed of or is classified as held-for-sale, and the component represents a separate line of business or area of operation and there is a plan to remove that separate line of business or area of operation. When non-current assets are classified as held-for-sale, they are measured at the lower of the carrying amount and fair value less cost to sell. Any subsequent increases in fair value less cost to sell of the asset are recognised in profit and loss.

The results of discontinued operations are reported in a separate section of the income statement.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

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:

<u>Fair value through profit or loss.</u>
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.

<u>Other financial liabilities.</u>
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 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.

Assets held for sale

Assets classified as held for sale are those assets which are being actively marketed for sale and the Board has an expectation that the sale will be completed in the following year.

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.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

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.

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.

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.
- 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.

Notes to the financial statements (continued)

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. Results for Romania are included as the Group had interests in this location previously.

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 2015

	UK	Ireland	Romania	France	Total
	£000	£000	£000	£000	£000
Continuing operations					
Revenue	2,205	-	-	-	2,205
Other cost of sales	*(1,900)*	-	-	-	*(1,900)*
Exploration write-off	*(2,205)*	-	-		*(2,205)*
Impairment of producing fields	*(1,100)*	-	-	-	*(1,100)*
Cost of sales	(5,205)	-	-	-	(5,205)
Gross loss	**(3,000)**	**-**	**-**	**-**	**(3,000)**
Administrative expenses	(690)	(181)	-	(106)	(977)
Finance income	55	-	-	-	55
Finance costs	(208)	-	-	-	(208)
Loss before tax	**(3,843)**	**(181)**	**-**	**(106)**	**(4,130)**
Taxation	2,346	-	-	-	2,346
Loss for the year from continuing operations	**(1,497)**	**(181)**	**-**	**(106)**	**(1,784)**
Discontinued operations					
Profit for the year from discontinued operations	-	-	-	-	-
Loss for the year	**(1,497)**	**(181)**	**-**	**(106)**	**(1,784)**

Segmental assets and liabilities as at 31 July 2015

	UK	Ireland	Romania	France	Total
	£000	£000	£000	£000	£000
Non-current assets	6,462	467	-	1,160	8,089
Current assets	3,620	-	-	-	3,620
Total assets	**10,082**	**467**	**-**	**1,160**	**11,709**
Non-current liabilities	(4,081)	-	-	-	(4,081)
Current liabilities	(1,311)	(10)	-	-	(1,321)
Total liabilities	**(5,392)**	**(10)**	**-**	**-**	**(5,402)**
Other segment items					
Capital expenditure	3,003	282	-	113	3,398
Depreciation	291	-	-	-	291
Share based payments	27	-	-	-	27

Notes to the financial statements (continued)

2 Operating segment analysis (continued)

Income statement for the year ended 31 July 2014

	UK	Ireland	Romania	France	Total
	£000	£000	£000	£000	£000
Continuing operations					
Revenue	3,878	-	-	-	3,878
Other cost of sales	*(2,301)*	-	-	-	*(2,301)*
Exploration write-off	-	-	-		-
Impairment of producing fields	*(1,203)*	-	-	-	*(1,203)*
Cost of sales	(3,504)	-	-	-	(3,504)
Gross profit	**374**	**-**	**-**	**-**	**374**
Administrative expenses	(824)	-	-	(8)	(832)
Finance income	20	-	-	-	20
Finance costs	(244)	-	-	-	(244)
Loss before tax	**(674)**	**-**	**-**	**(8)**	**(682)**
Taxation	314	-	-	-	314
Loss for the year from continuing operations	**(360)**	**-**	**-**	**(8)**	**(368)**
Discontinued operations					
Profit for the year from discontinued operations	-	-	933	-	933
Profit/(loss) for the year	**(360)**	**-**	**933**	**(8)**	**565**

Segmental assets and liabilities as at 31 July 2014

	UK	Ireland	Romania	France	Total
	£000	£000	£000	£000	£000
Non-current assets	5,348	165	-	1,086	6,599
Current assets	4,989	-	-	-	4,989
Held for sale assets	-	-	-	-	-
Total assets	**10,337**	**165**	**-**	**1,086**	**11,588**
Non-current liabilities	(4,494)	-	-	-	(4,494)
Current liabilities	(1,251)	-	-	-	(1,251)
Total liabilities	**(5,745)**	**-**	**-**	**-**	**(5,745)**
Other segment items					
Capital expenditure	349	72	-	96	517
Depreciation	475	-	-	-	475
Share based payments	82	-	-	-	82

100% of the total revenue (2014: 100%) relates to UK based customers. Of this figure, one single customer (2014: one) commands more than 99% of the total.

Notes to the financial statements (continued)

3 Loss before taxation

Loss from continuing operations is stated after charging:

		2015	2014
		£000	£000
Depreciation on property, plant & equipment	12	386	475
Staff costs including Directors	5	1,001	1,055
Exploration write-off	11	2,205	-
Impairment of property, plant and equipment	12	1,100	1,203
Fees payable to the auditor for the audit		43	43
Fees payable to the auditor for taxation services		2	6
Operating leases – land and buildings	25	40	39
Amount of inventory recognised as an expense		19	1
Foreign exchange loss		-	50

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 £2,086,000 (2014: £2,352,000).

4 Directors' emoluments

Directors' salaries and fees	2015	2014
	£000	£000
WH Adamson (resigned 30 April 2015)	30	40
CW Ahlefeldt-Laurvig	25	25
C Bousfield (appointed 10 February 2014)	32	13
RJHM Corrie	25	25
P Greenhalgh	154	160
HGD Mackay	183	206
	449	469

Directors' pensions		
P Greenhalgh	23	20
HGD Mackay	21	6
	44	26

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

Directors' share based payments	2015	2014
	£000	£000
WH Adamson (left 30 April 2015)	1	3
C Bousfield (appointed 10 February 2014)	11	5
P Greenhalgh	-	11
HGD Mackay	-	28
	12	47

The above represents the accounting charge in respect of share options. No share options were exercised during the period (2014: none).

Notes to the financial statements (continued)

4 Directors' emoluments (continued)

Directors' total emoluments	**2015**	2014
	£000	£000
Salaries and fees	**449**	469
Social security costs	**52**	59
Pensions	**44**	26
Share based payments	**12**	47
	557	601

5 Employee information

Average monthly number of employees including Directors	**2015**	2014
	Number	Number
Management and technical	**9**	9
Field exploration and production	**5**	5
	14	14

Staff costs	**2015**	2014
	£000	£000
Wages and salaries (including Director's emoluments)	**792**	826
Social security	**98**	103
Pensions	**84**	63
Share based payment (note 21)	**27**	63
	1,001	1,055

Total staff costs for the Company were £768,000 (2014: £801,000). The charge for share based payments recorded in the Consolidated statement of changes in equity in 2014 includes £19,000 in respect of share options granted to finnCap in connection with the 10 January 2014 share issue.

6 Finance income

	2015	2014
	£000	£000
Bank interest received	**7**	7
Interest rate swap fair value credit (note 23)	**3**	13
Exchange rate gains	**45**	-
	55	20

7 Finance expense

	2015	2014
	£000	£000
Bank interest payable	**11**	11
Loan interest payable	**4**	4
Unwinding of discount on decommissioning provision (note 19)	**184**	168
Exchange rate losses	**-**	51
Interest due on tax payment	**5**	-
Bank charges	**4**	10
	208	244

Notes to the financial statements (continued)

8 Discontinued operations

	2015	2014
	£000	£000
Reduction in VAT creditor	-	617
Movement in foreign exchange reserve	-	417
Administrative expenses	-	(101)
	-	933

The disposal of the Romanian subsidiary Europa Oil & Gas SRL for a nominal sum was completed in 2014.

The Consolidated and Company statements of cash flows include the following amounts related to discontinued operations:

	2015	2014
	£000	£000
Cash used in operating activities	-	(101)
	-	(101)

9 Taxation

	2015	2014
	£000	£000
Current tax liability	**(84)**	217
Movement in deferred tax liability (note 18)	**(2,262)**	(531)
Tax credit	**(2,346)**	(314)

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

	2015	2014
	£000	£000
Loss on continuing activities per the accounts	**(4,130)**	(682)
Profit on discontinued operations	-	933
Total (loss)/profit before tax	**(4,130)**	251
Tax reconciliation		
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2014: 30%)	**(1,239)**	75
Non taxable income	-	(280)
Expenses not deductible for tax purposes	**1,000**	386
Other reconciling items including UK Supplementary Charge	**(2,107)**	(495)
Total tax credit	**(2,346)**	(314)

10 (Loss)/Earnings per share

Basic (loss)/earning per share LPS/EPS has been calculated on the loss after taxation divided by the weighted average number of shares in issue during the period. Diluted LPS/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 LPS/EPS is equal to the basic LPS/EPS. As at 31 July 2015 there were 13,356,626 (2014: 14,016,626) potentially dilutive instruments in issue.

Notes to the financial statements (continued)

10 Earning/(Loss) per share (continued)

The calculation of the basic and diluted (loss)/earning per share is based on the following:

	2015	2014
	£000	£000
Loss after tax from continuing operations	**(1,784)**	(368)
Profit for the year from discontinued operations	**-**	933
(Loss)/profit for the year attributable to the equity shareholders of the parent	**(1,784)**	565
Weighted average number of shares		
For the purposes of basic and diluted EPS/ LPS	**206,526,969**	174,551,189

11 Intangible assets

Intangible assets - Group	2015	2014
	£000	£000
At 1 August	**3,553**	2,446
Additions	**3,491**	1,107
Exploration write-off	**(2,205)**	-
At 31 July	**4,839**	3,553

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

	2015	2014
	£000	£000
France (Béarn des Gaves permit)	**1,160**	1,083
Ireland (FEL 2/13)	**149**	59
Ireland (FEL 3/13)	**318**	106
UK PEDL143 (Holmwood)	**681**	519
UK PEDL180 (Wressle)	**2,270**	842
UK PEDL181	**43**	729
UK PEDL182 (Broughton)	**218**	215
Total	**4,839**	3,553
Exploration write-off		
PEDL181 (Kiln Lane)	**2,205**	-
Total	**2,205**	-

The UK PEDL143 exploration licence carries a well commitment in 2016. 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 the commitments are included in note 24.

In PEDL181, the Kiln Lane exploration well spudded in February 2015 and reached a total depth of 2,291m in March 2015. Sandstone reservoirs were penetrated in accordance with the pre-drill geological forecast but these proved to be water wet. The well was plugged and abandoned and the accumulated cost of seismic and the well have been written off.

Notes to the financial statements (continued)

11 Intangible assets (continued)

Intangible assets - Company

	2015	2014
	£000	£000
At 1 August	**1,248**	1,028
Additions	**100**	220
Disposals – transferred to group companies	**(188)**	-
At 31 July	**1,160**	1,248

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:

	2015	2014
	£000	£000
France (Béarn des Gaves permit)	**1,160**	1,083
Ireland (FEL 2/13)	**-**	59
Ireland (FEL 3/13)	**-**	106
Total	**1,160**	1,248

The value of the Tarbes val d'Adour permit was written to nil value in 2013. In February 2015, Vermilion REP SAS farmed in, taking operatorship and an 80% interest in the permit. As the change of operatorship, transfer of interest, and grant of an extension to the permit are all subject to approval by the French authorities, the value has not been written back to intangible assets.

Notes to the financial statements (continued)

12 Property, plant and equipment

Property, plant & equipment - Group

	Furniture & computers £000	Leasehold building £000	Producing fields £000	Total £000
Cost				
At 1 August 2013	45	-	10,785	10,830
Additions	3	-	-	3
Transfer from assets held for resale	-	437	-	437
At 31 July 2014	48	437	10,785	11,270
Additions	4	-	-	4
Disposal	(2)	-	-	(2)
At 31 July 2015	**50**	**437**	**10,785**	**11,272**
Depreciation, depletion and impairment				
At 1 August 2013	31	-	6,416	6,447
Charge for year	9	-	466	475
Impairment in year	-	-	1,203	1,203
Transfer from assets held for resale	-	99	-	99
At 31 July 2014	40	99	8,085	8,224
Charge for year	4	23	359	386
Impairment	-	-	1,100	1,100
At 31 July 2015	**44**	**122**	**9,544**	**9,710**
Net Book Value				
At 31 July 2013	14	-	4,369	4,383
At 31 July 2014	8	338	2,700	3,046
At 31 July 2015	**6**	**315**	**1,241**	**1,562**

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 7-10%, Brent crude prices rising from $65/bbl in 2016 to $110 in 2020 and a pre-tax discount rate of 37%. 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 an impairment of £1,100,000 (2014: £1,203,000) relating to the West Firsby site but no impairment at the Crosby Warren site or in respect of the Whisby W4 well. The main reason for the impairment of the West Firsby site was lower assumed oil prices combined with reduced reserves and production rate.

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 further impairment of the producing fields as follows:

	Impairment of producing fields £000
Production decline rate (current assumption 7-10%)	
10%	**112**
15%	**521**
Brent crude price per barrel (current assumption US$65/bbl in 2016 rising to US$110 in 2020)	
10% reduction in the assumed forward price	**275**
20% reduction in the assumed forward price	**617**

Property, plant and equipment - Company

	Furniture & computers £000	Long leasehold Building £000	Total £000
Cost			
At 1 August 2013	45	-	45
Additions	3	-	3
Transfer from assets held for resale	-	437	437
At 31 July 2014	48	437	485
Additions	4	-	4
Disposals	(2)	-	(2)
At 31 July 2015	**50**	**437**	**487**
Depreciation			
At 1 August 2013	31	-	31
Transfer from assets held for resale	-	99	99
Charge for the year	9	-	9
At 31 July 2014	40	99	139
Charge for year	4	23	27
At 31 July 2015	**44**	**122**	**166**
Net Book Value			
At 31 July 2013	14	-	14
At 31 July 2014	8	338	346
At 31 July 2015	**6**	**315**	**321**

The Abingdon property was vacated and put up for sale in 2012. At that time, the net book value was transferred from non-current to current assets. As at 31 July 2014, the sale of the property was not considered likely and the cost was transferred back to non-current assets. The property has been sub-let since February 2015. The property loan of £164,000 (2014: £186,000) described in note 17 is secured against this building.

Notes to the financial statements (continued)

13 Investments - Company

Investment in subsidiaries	2015	2014
	£000	£000
At 1 August	3,326	3,320
Provide against investment in subsidiary	(1,000)	-
Current year additions	6	6
At 31 July	2,332	3,326

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 July 2014, Europa Oil & Gas Limited sold its 100% investment in Europa Oil & Gas SRL (a company registered in Romania).

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

	2015	2014
	£000	£000
Oil in tanks	13	32

15 Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
Current trade and other receivables	£000	£000	£000	£000
Trade receivables	187	328	-	-
Other receivables	101	44	13	6
Prepayments	86	84	51	46
	374	456	64	52
Non current other receivables				
Owed by Group undertakings (note 26)	-	-	331	-

Notes to the financial statements (continued)

16 Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Trade payables	**918**	368	**106**	75
Other payables	**125**	602	**59**	118
	1,043	970	**165**	193
Derivative liability				
Interest rate swap	**32**	35	**32**	35

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 Royal Bank of Scotland (RBS) multi-currency facility was renewed on 10 February 2015. The facility, which provides an overdraft of up to £350,000 (2014: £700,000), was not in use at either 31 July 2015 or 31 July 2014. The facility is due to be renewed on 31 January 2016.

The loan of £164,000 (2014: £186,000) secured against the Abingdon property is repayable over 7 years.

	Group		Company	
Loans repayable in less than 1 year	**2015**	2014	**2015**	2014
	£000	£000	**£000**	£000
Property loan	**23**	22	**23**	22
Total short-term borrowing	**23**	22	**23**	22
Loans repayable in 1 to 2 years				
Property loan	**23**	23	**23**	23
Total loans repayable in 1 to 2 years	**23**	23	**23**	23
Loans repayable 2 to 5 years				
Property loan	**71**	72	**71**	72
Total loans repayable in 2 to 5 years	**71**	72	**71**	72
Loans repayable after 5 years				
Property loan	**47**	69	**47**	69
Total loans repayable after 5 years	**47**	69	**47**	69
Total long-term borrowing	**141**	164	**141**	164

18 Deferred Tax – Group

Recognised deferred tax liability:	**2015**	2014
	£000	£000
As at 1 August	**2,371**	2,902
Credited to statement of comprehensive income	**(2,262)**	(531)
At 31 July	**109**	2,371

The Group has a deferred tax liability of £1,797,000 (2014: £2,371,000) arising from accelerated capital allowances and a deferred tax asset of £1,688,000 (2014: £nil) arising from trading losses which will be utilised against future taxable profits. These have been offset against each other resulting in the total net liability of £109,000 (2014: £2,371,000). This offsetting is required because the Group settles current tax assets and liabilities on a net basis.

Notes to the financial statements (continued)

18 Deferred Tax – Group (continued)

Non-recognised long-term deferred tax asset

The Group has a non-recognised deferred tax asset of £3,371,000 (2014: £3,150,000), which arises mainly in relation to non ring-fence UK trading losses of £12.2 million (2014: £11.6 million) and Company losses of £0.7 million (2014: £0.1 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.

Provision for the decommissioning of the Wressle well was recorded in 2014.

Short-term provisions	**2015**	2014
	£000	£000
As at 1 August	**4**	290
Utilised in year - Hykeham	**(4)**	(266)
Utilised in year - Barchiz	**-**	(20)
At 31 July	**-**	4

Long-term provisions	**2015**	2014
	£000	£000
As at 1 August	**1,959**	1,681
Charged to statement of comprehensive income (note 7)	**184**	168
Provided for Wressle	**-**	110
At 31 July	**2,143**	1,959

No provisions have been recognised in the Company.

Notes to the financial statements (continued)

20 Called up share capital

	2015 £000	2014 £000
Allotted, called up and fully paid ordinary shares of 1p		
At 1 August 204,883,024 shares (2014: 137,855,504)	**2,049**	1,379
Issued in the year 40,004,987 shares (2014: 67,027,520)	**400**	670
At 31 July 244,888,011 shares (2014: 204,883,024)	**2,449**	2,049

	Date	Type of issue	Number of shares	Issue price	Raised net of costs £000	Nominal value £000
Ordinary shares issued 2015	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
			40,004,987		2,221	400
Ordinary shares issued 2014	10 January 2014	Placing	47,694,665	6p	2,597	477
	21 January 2014	Open offer	19,332,855	6p	1,113	193
			67,027,520		3,710	670

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

Merger relief is available on the shares issued on 10 January 2014 under section 612(1) of the Companies Act 2006, and premium has therefore been recognised within retained deficit rather than share premium.

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 2015 of £2,868,000 (2014: £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
Foreign exchange reserve	Reserve arising on translation of foreign subsidiaries (Europa Oil & Gas SRL was disposed in 2014)
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

21 Share based payments

There are 13,356,626 ordinary 1p share options outstanding (2014: 14,016,626). These are held by certain members of the Board: C Bousfield 500,000; RJHM Corrie 500,000; P Greenhalgh 3,075,000; HGD Mackay 6,600,000, employees of the Group 1,290,000, and advisors 1,391,626.

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.

Notes to the financial statements (continued)

21 Share based payments (cont'd)

The inputs used to determine the values of the 2,331,626 options granted in 2014 are detailed in the table below:

Grant date	**9 Jan 2014**	**11 Feb 2014**
Number of options	1,391,626	940,000
Share price at grant	5.88p	8.9p
Exercise price	6p	8.9p
Volatility	70%	70%
Dividend yield	nil	nil
Risk free investment rate	0.75%	0.75%
Option life (years)	1	5
Fair value per share	1.4p	4.76p

The 1,391,626 options, granted to finnCap in connection with the 10 January 2014 placing of shares are exercisable at any time until the 2nd anniversary of the grant date.

The 940,000 options are exercisable: one third 18 months after grant; a further third 30 months after grant and the balance 42 months after grant, with no further vesting conditions. The latest date at which these options can be exercised is the 10th anniversary of the grant date.

Based on the fair values above, the charge arising from employee share options was £27,000 (2014: £63,000). The charge relating to non-employee share options was nil (2014: £19,000 in connection with the 10 January 2014 share issue).In the year no options were granted, 160,000 options were expired, 500,000 forfeited and none were exercised (2014: 2,331,626 options were granted, and none were expired, forfeited or exercised).

	2015 Number of options	**2015 Average exercise price**	2014 Number of options	2014 Average exercise price
Outstanding at the start of the year	14,016,626	12.51p	11,685,000	13.58p
Granted	-	-	2,331,626	7.17p
Expired	(160,000)	25p	-	-
Forfeited	(500,000)	12p	-	-
Outstanding at the end of the year	13,356,626	12.38p	14,016,626	12.51p
Exercisable at the end of the year	12,213,288	12.69p	12,503,289	12.87p

The weighted average remaining contractual life of share options outstanding at the end of the period was 5.4 years (2014: 6.4 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 2015 trade receivables were £187,000 representing one month of oil revenue (2014: £328,000 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 £278,000 (2014: £374,000).The Company exposure to third party credit risk is negligible. All intercompany balances have been fully provided.

Notes to the financial statements (continued)

22 Financial instruments (continued)

Liquidity risk

Though the Group has the benefit of a regular revenue stream, there is still a need for bank financing. The Company has in place a £350,000 (2014: £700,000) flexible multi-currency facility with its bankers which can be utilised in either Sterling or foreign currency via an overdraft. At the year end there was no overdraft (2014: 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 of the Group's financial assets and liabilities.

	Trade and other receivables £000	Trade and other payables £000	Derivative at fair value £000	Short-term borrowings £000	Long-term borrowings £000
At 31 July 2015					
6 months or less	**288**	**(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	**288**	**(1,043)**	**(32)**	**(23)**	**(141)**
At 31 July 2014					
6 months or less	372	(970)	(4)	(11)	-
6-12 months	-	-	(4)	(11)	-
1-2 years	-	-	(7)	-	(23)
2-5 years	-	-	(15)	-	(72)
Over 5 years	-	-	(5)	-	(69)
Total	372	(970)	(35)	(22)	(164)

The following table shows the contractual maturities of the Company's financial assets and liabilities.

	Trade and other receivables £000	Trade and other payables £000	Derivative at fair value £000	Short-term borrowings £000	Long-term borrowings £000
At 31 July 2015					
6 months or less	**13**	**(165)**	**(4)**	**(11)**	**-**
6-12 months	**-**	**-**	**(4)**	**(12)**	**-**
1-2 years	**-**	**-**	**(7)**	**-**	**(23)**
2-5 years	**-**	**-**	**(14)**	**-**	**(71)**
Over 5 years	**-**	**-**	**(3)**	**-**	**(47)**
Total	**13**	**(165)**	**(32)**	**(23)**	**(141)**
At 31 July 2014					
6 months or less	6	(193)	(4)	(11)	-
6-12 months	-	-	(4)	(11)	-
1-2 years	-	-	(7)	-	(23)
2-5 years	-	-	(15)	-	(72)
Over 5 years	-	-	(5)	-	(69)
Total	6	(193)	(35)	(22)	(164)

Notes to the financial statements (continued)

23 Financial instruments (continued)

Liquidity risk (continued)

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 of £164,000 (2014: £186,000) which was swapped for a fixed rate of interest.

Interest rate risk

The Group has interest bearing liabilities as described in note 17. The £350,000 multi-currency facility is secured over the assets of Europa Oil & Gas (Holdings) plc and Europa Oil & Gas Limited. Interest is charged on the multi-currency facility at base rate plus 3%.

A loan of £164,000 (2014: £186,000) is secured over a long lease property and is repayable over 7 years, although it will be fully repaid on sale of the property. 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 fair value of the swap at 31 July 2015 was £32,000 (2014: £35,000) and this has 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	**2015 £000**	2014 £000
1%	**33**	42
3%	**18**	23
5%	**4**	5

The fair value of the interest rate swap has been based on an estimate provided by the Company's bankers.

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 2015 US$/bbl**	**LBT 2015 £000**	Price 2014 US$/bbl	LBT 2014 £000
Highest	Aug 14	**100.1**	**(3,024)**	110.3	(590)
Average		**68.1**	**(4,049)**	107.7	(682)
Lowest	Jan 15	**46.8**	**(4,734)**	105.1	(777)

Foreign exchange risk

The Group's production of crude oil is invoiced in US Dollars. 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 Dollar exchange rates used in the year and the sensitivity of the Group's LBT to similar movements in US Dollar exchange. There would be a corresponding increase or decrease to net assets.

Notes to the financial statements (continued)

23 Financial instruments (continued)

Foreign exchange risk (continued)

		2015	2015	2014	2014
		Rate	**LBT**	Rate	LBT
US Dollar	**Month**	**US$/£**	**£000**	US$/£	£000
Highest	Aug 14	**1.661**	**(4,183)**	1.710	(819)
Average		**1.561**	**(4,049)**	1.650	(682)
Lowest	Mar 15	**1.485**	**(3,939)**	1.553	(442)

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.

		Group		Company	
		2015	**2014**	**2015**	2014
Currency	**Item**	**£000**	**£000**	**£000**	£000
Euro	Cash and cash equivalents	**8**	5	**8**	5
	Trade and other payables	**(23)**	(58)	**(1)**	(29)
US Dollar	Cash and cash equivalents	**778**	642	**3**	53
	Trade and other receivables	**373**	500	**-**	-
	Trade and other payables	**(4)**	(25)	**(2)**	(2)
Total		**1,132**	1,064	**8**	27

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.

24 Capital commitments and guarantees

At the reporting date, the Group had a contractual commitment to drill a well on PEDL143 (Holmwood), subject to planning approval. Europa's share of total costs on the well is expected to be £1.5 million. At Béarn des Gaves, Europa has a commitment to spend £1.8 million by 2017. Neither of these two commitments is currently funded.

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 the relevant intangible asset disclosed in note 11.

25 Operating lease commitments

Europa Oil & Gas Limited pays an annual site rental 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 2 months' notice. The annual cost is currently £20,000 (2014: £19,000) and increases annually in line with the retail price index. The Crosby Warren lease runs until December 2022 and can be terminated on 3 months' notice. The annual cost is currently £20,000 (2014: £20,000).

26 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.

Notes to the financial statements (continued)

26 Related party transactions (cont'd)

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

	2015	2014
	£000	£000
Europa Oil & Gas Limited	1,235	1,173
Europa Oil & Gas SRL	-	54
Europa Oil & Gas (Ireland West) Limited	2	-
Europa Oil & Gas (Ireland East) Limited	2	-
Total	**1,239**	1,227

During the year, the Company increased the provision for the intercompany loan to Europa Oil & Gas Limited by £853,000 (2014: £2,971,000).

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

	2015	2014
	£000	£000
Europa Oil & Gas (Ireland West) Limited	108	-
Europa Oil & Gas (Ireland East) Limited	223	-
Total	**331**	-

27 Post reporting date events

- Planning permission for the Holmwood exploration well surface site was granted in August 2015 following a Planning Inquiry in April and June 2015 with planning permission for the underground well path granted in September 2015;
- Wressle EWT completed at Penistone Flags oil zone with positive implications for reservoir volumes;
- Prepared and submitted multiple new licence applications for 2015 Atlantic Margin Licensing Round, award outcome anticipated in H1 2016;
- Kosmos Energy decided to exercise its option to withdraw from both Irish offshore licences, Europa has applied to assume 100% interest and operatorship.

Directors and advisers

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