

IGas Energy plc
Annual Report and Accounts 2021

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Company Number: 04981279

Welcome to IGas Energy plc

Annual Report and Accounts 2021

Our purpose is to provide energy needed today while also generating low-carbon sources of energy for tomorrow.

Our vision is to be a leading onshore provider of energy in a net zero world.

Our strategy is to create value for shareholders and society in a sustainable way through the successful development, efficient operation and responsible ownership of energy infrastructure and businesses.

Read more about our business
www.igasplc.com

Operational Performance

- Net production, in line with guidance, averaged 1,962 boepd for the year (2020: 1,907 boepd)
- Reserves and Resources updated
CPR values 1P NPV10 of \$139 million;
2P NPV10 of \$190 million
- Whilst the effective moratorium remains in place, the Government has commissioned the British Geological Survey to advise on the latest scientific evidence around shale gas extraction with a report expected before the end of June 2022
- Government support for deep geothermal through the Green Heat Network Fund
- Signed geothermal agreement with SSE to develop the district heat network in Stoke-on-Trent
- Collaborations with Cornish Lithium and CeraPhi extending the geothermal portfolio
- Planning submitted for our first hydrogen projects in the South East
- Solar collaboration with Iona Capital
- Presented with RoSPA President's Award for 15th consecutive year of Occupational Health & Safety

Read more on pages 10 to 13

Financial Performance

Revenues

£37.9m

2021

£37.9m

2020

£21.6m

Net assets

£68.6m

2021

£68.6m

2020

£73.3m

Net debt*

£12.2m

2021

£12.2m

2020

£12.2m

Adjusted EBITDA*

£5.9m

2021

£5.9m

2020

£4.0m

Loss after tax

£(6.0)m

2021

£(6.0)m

2020

£(42.1)m

Operating cash flow before working capital movements

£7.4m

2021

£7.4m

2020

£3.3m

Cash and cash equivalents

£3.3m

2021

£3.3m

2020

£2.4m

Underlying operating profit/(loss)*

£2.0m

2021

£2.0m

2020

£(1.4)m

* These are non-IFRS alternative performance measures which are further explained on page 17.

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Our Marketplace

Energy in Transition

“The design of the policy framework to reduce UK industry emissions must ensure it does not drive industry overseas, which would not help to reduce global emissions, and be damaging to the UK economy.”

A key recommendation made by the Committee on Climate Change (CCC), in its Net Zero report

Commodity Prices

Crude oil prices rose in 2021 as increasing COVID-19 vaccination rates, loosening pandemic-related restrictions, and a growing economy resulted in global petroleum demand rising faster than petroleum supply. The spot price of Brent crude started the year at \$50/barrel and increased to a high of \$86/barrel in late October before declining in the final weeks of the year.

Gas in particular was affected by supply constraints in various major producing regions including Russia, which has limited exports of gas, and the war in Ukraine stalled the start-up of the Nord Stream 2 export pipeline into Germany. In addition, there was unseasonably low gas storage inventories across Europe with many sites operating below 50% resulting in gas prices in November being 435% higher compared to 12 months earlier.

The unfolding humanitarian catastrophe resulting from Russia's invasion of Ukraine has rocked the world and the repercussions of this action are being felt, leading many countries to reassess their reliance on Russian energy supplies. The events have increased geopolitical risks and provide a stark reminder of the importance of energy security. The sanctions imposed on Russia have caused disruption to international trade and dislocations in energy markets, tightening oil and gas markets significantly and causing prices to soar. Gas prices, in particular, have hit record levels reflecting the reliance on Russia to supply European gas markets and our limited alternatives. Given this backdrop, the national and local benefits of indigenous oil and gas supplies remain clear and even more compelling, with a positive impact on emissions versus imports and LNG, energy security, the balance of payments through tax and business rates and employment.

UK Political Review & the Energy Transition

The UK government published a number of strategy papers ahead of the UN Climate Summit COP26 in Glasgow in November 2021 that are relevant to the IGas transition businesses.

"To transform the national heating system, we need to replace many of the existing sources of heat with a variety of energy efficient, low-carbon technologies. We see heat pumps, heat networks and hydrogen as potentially playing a pivotal role in decarbonising heat. But we recognise that other technologies such as bioenergy, geothermal heat, and storage heaters may be a more viable alternative in some cases."

As you will read in the Operating Review on page 12 the Company has been actively engaged with BEIS and senior ministers regarding future financial support for the deep geothermal industry.

Deep Geothermal Energy – Opportunities in the UK

44% of the UK's energy demand is for heating homes and other buildings, which accounts for 37% of the UK's greenhouse gas emissions.

The CCC stated that only decarbonisation of heat in the UK could deliver the major reduction in emissions needed to meet the 2050 net zero target.

In May 2021, a new industry report on the economic and environmental importance of UK deep geothermal resource by the ARUP Group and the Association for Renewable Energy and Clean Technology (REA) was published. The report estimates that, with immediate Government support, the UK could deliver 360 geothermal projects by 2050.

By delivering on average 12 heat projects per year over the next three decades, the UK could expect to generate up to 15,000 GW hours (GWh) of heat from geothermal, annually by 2050.

There would be significant economic benefits, generating £1.5 billion of investment and the creation of around 10,000 direct jobs and 25,000 indirect jobs.

As we transition from fossil fuels to lower carbon alternatives, the core skills deployed in the oil and gas sector, such as sub-surface well engineering and drilling, are highly transferable to geothermal.

The full report can be found at <http://www.igasplc.com/media/40957/deep-geothermal-energy-opportunities-for-the-uk.pdf>

In August 2021, the UK's first ever Hydrogen Strategy drives forward the commitments laid out in the Ten Point Plan for a green industrial revolution by setting the foundation for how the UK government will work with industry to meet its ambition for 5GW of low carbon hydrogen production capacity by 2030.

The strategy highlights the importance of blue hydrogen (methane derived): "As set out in the Hydrogen Strategy, as we shift to low carbon production and scale up our ambition through the 2020s, we expect the main production methods to be steam methane reformation with carbon capture utilisation and storage (CCUS)."

The plan for Albury and Bletchingley is to deliver blue hydrogen in the second phase and IGas has engaged with the Department for Business, Energy and Industrial Strategy (BEIS) in respect of these projects and how they will fit with the development of a UK standard for low carbon hydrogen.

In October 2021, the Government released its Heat and Buildings Strategy and its Net Zero Strategy: Build Back Greener. The heat and buildings strategy is largely focused on domestic heat, with very little on industrial decarbonisation of heat where there remains a policy gap. It does, however, recognise the potential for deep geothermal heat:

What 360 geothermal plants by 2050 means to the UK

Space heating

2m homes

Equivalent heating for over 2 million homes

Heat

>3,600 MWth

Total capacity (>15,000 GWh per year)

Electricity

25 to 50 MWe

(200 to 400 GWh)

Workforce opportunities

>10,000

Direct jobs

>25,000

Indirect jobs

Plants

>3.5bn

Capital costs (drilling, casing, power plants)

Carbon saving

3mgt

Up to 3 megaton annual carbon saving

"By delivering on average 12 heat projects per year over the next three decades, the UK could expect to generate up to 15,000 GW hours (GWh) of heat from geothermal, annually by 2050."

Chairman's Statement

Resilient and innovative

It is hard to believe that we have all lived through another 12 months of COVID-19 – a crisis unprecedented in living memory.

Against the backdrop of this crisis and its impact on commodity prices, market conditions and restrictions on movement of people and materials, IGas weathered the storm in 2021 with both motivation and determination. Operations, maintenance and project activities were all directly and indirectly impacted by COVID-19 which inevitably affected production. There has been a strong focus on health, safety and wellbeing across the business and further progress has been made in the Company's diversification strategy. Cash resources were also carefully managed, having taken a number of actions to conserve cash in the prior year.

Read about our financial performance on pages 14 to 17.

As worldwide economic activity levels increased, there were fluctuations in commodity prices over the period. UK gas prices reached historic highs due to increasing worldwide demand, supply issues and competition for Liquefied Natural Gas (LNG), reinforcing the need for the UK to maintain secure indigenous supplies of oil and gas as we transition to net zero by 2050.

Read more in Our Marketplace on pages 02 and 03.

Environmental, Social and Governance (ESG) issues remained a key priority during 2021. As a further commitment to corporate sustainability, we became a signatory to the United Nations Global Compact, pledging to meet fundamental responsibilities in four areas: human rights, labour, environment and anti-corruption.

"IGas recognises the need to respond to climate change and the critical role of the energy industry in addressing these environmental challenges."

IGas recognises the need to respond to climate change and the critical role of the energy industry in addressing these environmental challenges. The Group's existing operational expertise as the UK's largest onshore operator gives us the opportunity to use our existing business platform to play an important role in the UK's transition to net zero.

Read more about ESG in our Sustainable and Responsible Business section on pages 22 to 23.

Board

I have served on the Board of the Company since December 2012 and as Interim Non-executive Chairman since October 2019, and as announced at the start of the year, have decided to step down from the Board at the conclusion of the 2022 Annual General Meeting (AGM). Over the last 10 years, IGas has grown to be one of the largest onshore oil and gas players in the UK and is now embarking on the next chapter of its journey, as it positions itself at the heart of the UK energy transition.

I am delighted that Chris Hopkinson is to succeed me as Chairman. We welcomed Chris to the Board in January this year, as a Non-executive Director, and I know that he will be an effective leader for the Company. He has been very engaged in the business ahead of him taking up his role as Chair.

In February 2022, we also welcomed Kate Coppinger to the IGas Board who brings with her Board-level expertise, drawing on over 20 years advising energy companies.

We are delighted that we have been able to strengthen the diversity of the Board, which has been a key objective of the Nomination Committee. These appointments now bring us in line with the best practice as recommended by the QCA Code.

Read about the new Board member's experience on page 29.

Hans Årstad, Non-executive Director, resigned from the Board at the May 2021 AGM. On behalf of the Board, I thank him for his contribution.

People

The strength of a business is built on the hard work and dedication of all its people and this year has highlighted the resilience of all our colleagues and their ability to work together in times of crisis. I would like to thank them for their outstanding work during an extremely demanding year.

Outlook

I sincerely hope that the worst of the pandemic is now behind us, however, we are in uncharted geopolitical territory, with the unfolding atrocities in Ukraine. Our thoughts are with everyone whose lives have been affected by Russia's actions.

Clearly this will have far reaching impacts on society and on global commodity prices and need for energy independence.

In light of current, and likely to continue, high gas prices we must focus the debate on energy where gas contributes around 40% of the UK's energy requirements, not solely on electricity. Over 80% of our homes are heated by gas and industry is reliant on it; this cannot in the short to medium term be replaced by wind or solar and under any of the Climate Change Committee's scenarios the UK needs gas beyond 2050.

Developing UK shale gas resources can reduce gas prices, reduce the country's carbon footprint by replacing imports, improve our balance of payments and the country's tax revenues, and lead to job creation in areas where they are most needed, as part of the Government's levelling up agenda.

Comparing UK spot gas prices with US spot gas prices at a fraction of the cost, demonstrates how a domestic gas supply can decouple gas prices from expensive LNG prices.

As a business, we remain firmly focused on cost and capital discipline whilst building our business for the future. We will continue to invest prudently in our existing cash-generative assets, to create future shareholder value and move ahead purposefully with our low-carbon energy businesses.



Cuth McDowell
Interim Non-executive Chairman

Our values

Respect

Respect is paramount, for our people, our environment, our partners and the safety of others.

Performance

Performing to the highest standards internally and externally and delivering against our targets.

Transparency

We are honest about what we do, how we do it and the challenges we face. We are open to challenge, to discussion and to improving how we work to reflect our values.

Collaboration

We take on challenges and find solutions through mutual trust, knowledge sharing and teamwork.

Commitment

We are fully committed to preserving the environment and providing safe and healthy working conditions.

Our Stakeholders

Understanding the importance of meaningful stakeholder engagement

We believe that to secure our long-term success, we must take account of what is important to our key stakeholders. This is best achieved through proactive and effective engagement.

These are extraordinary times, and we recognise that we have a responsibility to all our stakeholders. Through our strategy of engagement, existing relationships with our key stakeholders and our understanding of their key concerns and issues, we have been able to work closely alongside them during the pandemic.

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006.

“These are extraordinary times, and we recognise that we have a responsibility to all our stakeholders.”

The Act provides that IGas Directors must act in a way that they consider in good faith and would be most likely to promote the success of IGas for the benefit of shareholders as a whole. In doing so, IGas Directors must have regard, amongst other things, to the factors set out below:

- the likely consequences of any decision in the long term;
- the interests of IGas's colleagues;
- the need to foster the Company's business relationships;
- the impact of IGas's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly for all our members.

The Sustainable and Responsible Business Report (pages 22 and 23) and the Corporate governance section (pages 32 to 35) set out in more detail how the Board has approached its duties under Section 172.

The Board has direct engagement principally with its employees and shareholders but is also kept fully apprised of the material issues of other stakeholders through the Executive Director, reports from senior management and external advisers.

Investors

The Board considers investors in its broadest sense including equity and debt investors, alongside analysts. We adopt an open and transparent approach with our investors and they play an important role in helping shape our strategy and monitoring our governance.

Government and Regulators

We take a constructive, positive approach to working with local authorities to ensure high quality planning applications are submitted. Similarly, we maintain positive and proactive relationships with Government departments, such as BEIS, via regular dialogue and correspondence.

A Highly Regulated Onshore Industry

The UK is recognised as a leading example for oil and gas industry regulation. Onshore oil and gas regulation is handled by four separate bodies. We are subject to regular operational inspections, both scheduled and unannounced, to ensure we are always fully compliant.

The Health and Safety Executive (HSE)

monitors oil and gas operations from a well integrity and site safety perspective. It ensures that safe working practices are adopted by onshore operators as required under the Health and Safety at Work Act 1974, and regulations made under the Act.

The role of environment regulation is handled by the **Environment Agency (EA)**.

Onshore oil and gas exploratory activities require environmental permits issued under the Environmental Permitting Regulations (EPR 2010) and other permissions from the environmental regulator, depending on the methods used and the geology of the site.

The environmental regulator is also a statutory consultee during the planning application and also in the assessment of the Environmental Impact Assessment if this is required.

BEIS/North Sea Transition Authority (NSTA)

Under the Petroleum Act of 1998, the Crown has all ownership rights to hydrocarbon resources in the UK. Responsibility for administration on behalf of the Crown falls to the Secretary of State for BEIS, supported by the NSTA as an independent body.

BEIS issues a Petroleum Exploration and Development Licence (PEDL), which gives a company or group of companies (a joint venture) exclusive rights to explore for, and develop, the resource in a particular defined area.

Mineral Planning Authority (MPA)

MPAs (as part of local councils) grant planning permission for the location of any wells and well pads, and impose conditions to ensure that the impact on the use of the land is acceptable.

Regulators

The Health and Safety Regulator

HSE's primary function is to secure the health, safety and welfare of people at work and protect others from risks to health and safety from work activity.

The Environmental Regulator

The role of environment regulation is handled by the Environment Agency (EA).

BEIS/North Sea Transition Authority

The NSTA regulates and influences the oil, gas and carbon storage industries.

Mineral Planning Authority

The MPA grants planning permission and oversee our activities.

Our Stakeholders continued

Employees

The interests of our employees and wider workforce are important to the Directors because they are key stakeholders of the Company. We aim to create a working environment in which all individuals can make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. We are an inclusive and respectful employer that welcomes diversity and promotes equality.

We want to continue to be an employer of choice, attracting and retaining the brightest and the best talent as our business adapts to a constantly changing business environment. The talents, skills and values of the people that work for IGas enable it to fulfil its purpose, achieve strategic goals and manage principal risks. That is why decent work and economic growth is one of the United Nation's Sustainable Development Goals adopted by IGas.

Employees are kept informed of changes in the business and any general financial and economic factors influencing the Group. We are always looking at ways to improve communications and to motivate employees which, for 2021, included a wide-ranging Safety Initiative review generating nearly 600 comments, 63 questions and 22 practical suggestions as to ways in which we might improve the way we work and interact.

Gender diversity

	21	
		4
	3	
		9
Excom		
Board		135
Workforce		
M F Board:	2021: 0/4 (2020: 0/5)	
M F Excom:	2021: 3/9 (2020: 3/9)	
M F Workforce:	2021: 21/135 (2020: 21/133)	

IGas values the views of its employees and consults with them about matters that affect them and the business. We engage with our employees in a number of ways:

- Workplace & virtual 'town hall' meetings;
- Tool box talks (for operators in the field);
- Employee newsletters;
- Notice boards and monthly 'All Staff' email updates; and
- Management briefings and site visits.

In addition to the ongoing delivery of individual and functional (competency-based) training, in light of the global pandemic, we have continued to provide guidance and training to staff on safety, health and hygiene, homeworking and mental health throughout the year. As part of our regular 'All Staff' monthly training programme, staff successfully completed a range of courses covering topics such as Health & Safety for Homeworkers, Cyber Security Awareness, UK Data Protection and Whistleblowing, as well as other obligatory courses covering Unconscious Bias for Employees, Modern Slavery and Equality & Diversity.

We recognise the importance of cognitive and emotional wellbeing in our workforce and the last two years during the COVID-19 pandemic have presented challenges across the teams. Where possible we have supported flexible working patterns and promoted online social interaction. We also plan to review our mental health and resilience offerings as well as introducing training for mental health first aiders within the business.

Suppliers

We outsource a number of our activities to third party suppliers and providers. As a result, it is crucial that we develop strong working relationships and our collaborative approach results in long-term relationships.

"During 2021, the IGas Community Fund awarded c.£25,000 to community projects."

Communities

During 2021, we continued to support the communities in which we operate by investment in social projects, providing direct local employment, and fostering wider economic opportunities, where possible, through local investment and supply chain.

We engage with the local community in a number of ways: through the planning process, our Community Fund, community liaison groups and providing employment and work experience opportunities. We also liaise with Non-Governmental Organisations (NGOs), local business groups and industry bodies to enhance the positive impact we have on the communities in which we operate.

Whilst communities are involved in the statutory process of planning and permitting, we seek to go beyond what is required of us, to better understand the concerns and needs of the different communities in which we operate.

We engage in a number of ways including site visits, community liaison groups and through the IGas Community Fund. We are always trying to find new and innovative ways in which to communicate, for example virtual public consultation events where local residents could view an interactive set of boards for a planning application.

IGas Community Fund

During 2021, the IGas Community Fund awarded c. £25,000 to community projects.

The Fund for 2021 was launched in October 2020 inviting applications from communities close to IGas operations in the South and the East Midlands. In the weeks that followed around 35 expressions of interest were received by email or telephone.

The fund panel again met virtually in March 2021 to consider the applications and make the awards. Recipients included the Nettleham Woodland Trust, Wessex Children's Hospice Trust and the Scothern Recreation Centre.

Once again, the drawdown for a number of projects has been deferred due to COVID-19, but we look forward to being able to release funds as soon as the projects are able to utilise them.

CEO's Statement/Operating Review

Making progress in a challenging environment

"Despite these challenging headwinds the business has, since the start of 2021, benefitted from a much-improved economic environment, most notably oil and gas prices which recovered from the very low levels experienced in the previous year."

Introduction

The impact of COVID-19 presented our business with major challenges this year in sustaining operations through restrictions and self-isolation.

Supply chains too were impacted, bringing some additional delays and fluctuations to operational priorities.

As a result, our collective focus has been on keeping our employees, contractors, and other stakeholders safe by continuing to work from home where possible, maintaining social distancing measures and continuing to take all precautions to ensure risks were minimised. I would like to thank all of our employees for their dedication and focus throughout this pandemic.

Despite these challenging headwinds the business has, since the start of 2021, benefitted from a much-improved economic environment, most notably oil and gas prices which recovered from the very low levels experienced at the start of the previous year.

We have continued to pursue our strategy of maximising our UK onshore production whilst exposing shareholders to value creating opportunities in the energy transition space, principally through deep geothermal heat and hydrogen.

Operating Review

Production

Net production for the period averaged 1,962 boepd (2020: 1,907), with operations, maintenance and project activities all being directly and indirectly impacted by COVID-19. The COVID-19 pandemic presented a unique set of challenges for our production business. They comprised both direct and indirect consequences of managing the effects of the virus, some of which had an immediate impact and others that were extended over longer periods and we had to prioritise essential (especially safety and environmentally critical) activities throughout the year.

We identified three key drivers to COVID-19 related production deferral; Internal Resourcing, External Resourcing and the External Supply Chain. Our analysis of the production impact during the period has shown fluctuations on a month-by-month basis. The average impact for the year was c.130 boepd. Excluding that impact, production for the year would have been 2,100 boepd.

Whilst we started 2022 with the challenge of a high number of operational staff isolating due to COVID-19, we anticipate net production in 2022 of c.2,000 boepd, assuming there are no further significant disruptions to our business.

We continue to focus our technical and operational expertise on offsetting the underlying natural decline in our fields through the execution of incremental production opportunities that demonstrate commercial benefit via our delivery assurance processes. Artificial lift optimisation remains a key continuous improvement objective in terms of cost management and production enhancement, with routine dynamic optimisation activities and specific intervention works sanctioned. This has included the introduction of innovative scale management technology, artificial lift type conversions, rod string improvements, rod pump deepening plus the expansion of the beam-gas compressor systems across more fields. In addition, we have continued to invest in our facilities to drive operational improvements such as replacing older power generation systems with newer, more efficient versions and the continued expansion and modernisation of our instrumentation systems.

As part of our decommissioning programme, we completed the abandonment of Welton A31 and the zonal abandonment of Welton A4 during the period. In addition, in conjunction with the Net Zero Technology Centre, IGas is exploring alternative zonal abandonment technology that could significantly reduce abandonment costs for the UK oil and gas industry as a whole. Trials are expected to commence in 2022. In addition, we have initiated a well repurpose trial with CeraPhi Energy, a geothermal company specialising in oil and gas well repurposing which, if successful, may lead to future reuse of suspended wells.

It has been another challenging year, in particular for those working on site, but operating our assets in a safe, secure and environmentally responsible manner is fundamental to our business. We continue to work closely with all our regulators to ensure we at least meet, if not exceed, our responsibilities.

Read more about health, safety and the environment on pages 22 to 23.

IGas Group Net Reserves & Contingent Resources as at 31 December 2021 (MMboe)

	1P	2P	2C
Reserves & Resources as at 31 December 2020	11.74	17.12	20.34
Production during the period	(0.71)	(0.71)	—
Revision of estimates	(0.46)	(0.62)	—
Reserves & Resources as at 31 December 2021	10.57	15.79	20.34

Reserves and Resources CPR

In February 2022, IGas announced the publication of the full and final results of the Competent Persons Report (CPR) by DeGolyer & MacNaughton (D&M), a leading international reserves and resources auditor.

The report comprised an independent evaluation of IGas conventional oil and gas interests as of 31 December 2021. The full report can be found on the IGas website www.igasplc.com/investors/publications-and-reports

The audited 2P reserves have, as anticipated, declined this year driven primarily by our 2021 production and higher operating cost assumptions.

The report values our conventional assets at c.\$190 million on a 2P NPV10 basis (based on a forward oil curve of c.\$67/bbl for 2022-2024 and then escalated at an average rate of 2.5% thereafter).

Development Conventional

The Welton (C-1) waterflood project was brought online in Q2 2021 and completed on budget with good results as anticipated, with capacity to inject c.400 bbls/d of water which is expected to increase field recovery by approximately 660 Mbbls and ramping up to over 100 bopd incremental production which will start to be realised in 2022. During 2021, Scampton North was on the lower end of expectations, encountering higher than anticipated injection pressure, injecting c.70 bbls/d of water. In March 2022, we completed a clean-out of the wellbore that has resolved the higher injection pressure issues. The injection well is now back online with initial positive results indicating a P50 work outcome for the project which will increase the ultimate field recovery. These projects not only add incremental value but also improve our environmental impact by reducing emissions and reducing vehicle movements in water handling.

In the first quarter of 2022, work was completed to convert an existing, suspended well in the Stockbridge field to a water disposal well; this will allow for the resumption of c.50 bbls/d of suspended production to be brought back on line. The project will also provide more operational flexibility in handling produced water in the Stockbridge area.

We are currently progressing two development opportunities in the East Midlands. The first is an infill drilling project which has the potential to add c.100 bbls/d and 0.35 mmstb 2P reserves in 2023 with an anticipated NPV10 of £3 million. The second is a larger appraisal/development project to extend one of our existing fields. This opportunity will be progressed in a phased approach, with a planning application to be submitted in 2022. If phase I is successful, this will be followed by further development drilling in subsequent years. The first phase of the project is targeting an additional c.200 bbls/d and development of c.1.0 mmstb 2P reserves with the subsequent development having the potential to add an additional 500bbls/d and the addition of c.2 mmstb 2P reserves.

Shale

The Group holds a significant portfolio of shale licences, totalling 292,100 net acres with estimated mean volumes of undiscovered GIIP of 93 TCF (net to IGas, independently assessed by D&M in 2016).

We know that the shales contain significant amounts of natural gas. In 2019, we drilled a shale well at Springs Road, just outside Misson, North Nottinghamshire, with our partners including Ineos, and had the cores (rock samples) analysed by Weatherford in the US. Through this analysis they estimate gas in place is 630 BCF/square mile. If applied to all our East Midlands acreage that would imply over 270 TCF of gas in place. Even at a conservative 10% recovery factor, 27 TCF of gas would satisfy the UK's requirements for nine years, from our acreage alone.

CEO's Statement/Operating Review continued

We welcome the Government's scientific review of shale gas, announced on 5 April 2022, to be undertaken by the British Geological Survey, which is expected before the end of June 2022. If the UK government were to lift the moratorium and allow activity to proceed through permitted development, we have the potential to deliver five production well pads, with each pad having up to 16 wells, which would supply 3 million homes, with initial production within 12-18 months. Total production is estimated at c.750 BCF from these five production pads.

However, activity is currently paused with all licences being held on a "care and maintenance" basis due to the effective moratorium on hydraulic fracturing for shale gas imposed by the UK government in November 2019.

Deep Geothermal

The opportunity to decarbonise large-scale heat using deep geothermal energy in the UK is a significant one. We have made excellent progress in moving this forward with the UK government and specific provision has been made for deep geothermal in the recently launched Green Heat Network Fund (GHNF).

The GHNF Transition Scheme is a three year, £288 million capital grant fund that will support the commercialisation and construction of new low and zero carbon heat networks including the drilling of deep geothermal wells and associated works. The GHNF opened to applications in March 2022 and confirmed that it will fund up to 50% of a project's total combined commercialisation and construction costs. As a developer of deep geothermal, we are eligible to apply directly to the fund and will put forward a number of projects, the first of which will be the Stoke-on-Trent project.

We have continued to have positive discussions with the UK government regarding future, longer-term financial support for the deep geothermal industry. We have had several meetings with senior ministers including the Secretary of State. A working group with the Department for Business, Energy and Industrial Strategy (BEIS) has been established to look at a financial model for the long-term support of deep geothermal heat.

In April 2021, a new industry report on the economic and environmental importance of UK deep geothermal resources by the ARUP Group and the Association for Renewable Energy and Clean Technology (REA) was published. The report estimates that, with immediate Government support, the UK could deliver 360 geothermal projects by 2050. This would include an estimated 12 projects being operational by 2025 with 1,300 jobs created and c.£100 million of investment flowing into the UK economy.

Read more about the findings on page 03.

In June 2021, we received planning approval for the Stoke-on-Trent project from both Stoke-on-Trent City Council and Newcastle-under-Lyme. In September, we signed a Memorandum of Understanding (MoU) with SSE Heat Networks Limited (SSE) for the roll-out of the Stoke geothermal district heating project. The MoU grants exclusivity to each of SSE and GT Energy with regard to the project for a period of 12 months with certain milestones including executing a thermal purchase agreement (TPA) in relation to the geothermal plant. SSE in turn have agreed a MoU with Stoke-on-Trent City council to work together to deliver a heat network across the city.

We are working with SSE towards agreeing the TPA for the off-take of geothermal heat in Q3 this year and, subject to securing grant funding from the GHNF, this will enable the project to progress towards financial close in Q4 2022.

SSE is leading the way in developing the low-carbon assets and infrastructure required for the UK to reach its target of net zero emissions by 2050 and has set out their plans for a £12 billion investment in low carbon energy infrastructure over the next five years, to which geothermal is core in realising.

Following the confirmation of Government support through the GHNF, we are currently reviewing additional sites for deep geothermal at strategic locations across England and we would expect to announce the acquisition of our first site in the Manchester area in H1 2022.

We are currently in discussions with six off-takers, across six separate sites which equates to c.60-70 MW of installed heat generation.

Closed-loop Geothermal

In September 2021, we announced a Heads of Terms (HoT) with CeraPhi Energy, developers and owners of a proprietary closed-loop geothermal technology. The intent is to jointly develop geothermal energy projects utilising specific oil and gas wells in IGas's asset portfolio and CeraPhi's technology.

A programme has been agreed with an initial single well to be repurposed at Nettleham, to the northeast of Lincoln. Following the repurposing a period of testing will be undertaken.

This pathfinder project will be used to demonstrate the commercial potential for geothermal energy production from repurposing existing oil and gas assets for direct heat for agriculture, residential heating and cooling, and the development of hybrid energy systems generating both heat and power.

Hydrogen

Significant work has been undertaken in order to understand the potential for low carbon energy production from our existing asset base.

Last year we identified two sites in Surrey – Albury which has existing gas production and Bletchingley where we have been seeking a way to monetise the existing gas – as being suitable for the production of hydrogen utilising modular SMR technology.

At Albury, we submitted a planning application in July 2021 to generate 1,000kg/day of hydrogen.

The Bletchingley application was submitted in late August 2021. This is a bigger project involving two SMR units with initial generation of 2,000kg/day and a potential of up to 6000kg/day depending on reserves. Due to COVID-19 related backlogs, we are now expecting both these applications to go to Surrey County Council's Planning Committee for determination in H1 2022.

The projects are being developed in phases, the first phase being to establish the principle of hydrogen production at the sites. The second, to produce blue hydrogen, is now being accelerated following positive feedback from key regulators and interest from local communities. However, we await clarification from the UK government as to thresholds for carbon intensity for low carbon hydrogen following a consultation that closed in October 2021 before committing to a technological solution for blue hydrogen.

Discussions with potential off-takers for both projects are ongoing.

Carbon Capture and Storage (CCS)

Whilst the UK Continental Shelf offers significant future potential for CCS we believe that smaller, onshore carbon sequestration presents an opportunity to help better understand the development work required for the larger scale offshore facilities. Furthermore, a study by BEIS indicated that CO₂ transport to ports or points of sequestration is a major issue and many industrial facilities located centrally in the UK are under threat of becoming 'stranded assets'.

Our work at this stage is at a high level and extends to engagement with academia, industry, Government and regulators.

We have joined an academic-industry consortium called Net Zero RISE. Its aim is to repurpose existing onshore oil and gas infrastructure as research sites for carbon sequestration, hydrogen storage and closed-loop geothermal technologies. The consortium brings together Newcastle, Oxford and Durham Universities with industry partners, including IGas, and has been established to support the UK's energy transition to net zero by reusing onshore infrastructure that is available now.

IGas has also been invited by the NSTA to take on a core role in the Bacton Energy Hub Project's Regulatory Special Interest Group (SIG) led by Hydrogen East. The UK onshore regulatory regime is complex and comprehensive and we have a strong track record of responsible and safe development and ongoing compliance. IGas brings extensive experience of developing complex energy projects to the Bacton project.

The Bacton Energy Hub is envisaged to play a major role in the UK's energy future through the production of hydrogen from natural gas (with associated capture and storage of carbon dioxide) and from electrolysis powered by renewable and nuclear energy.

IGas will also be contributors to the Infrastructure SIG, led by Xodus and the Hydrogen Supply SIG, led by Summit Exploration and Production.

Lithium Extraction from Geothermal Brines

In February 2022, IGas agreed a HoT with Cornish Lithium, a company that has secured extensive land and mineral rights in the south west of England. IGas and Cornish Lithium intend to jointly develop geothermal energy projects in areas where it is believed there are significant lithium resources. The projects will supply renewable heat to end users whilst lithium is extracted from the brines. IGas will bring its experience of well design, drilling and operations to the projects.

Solar

Another example of how we can leverage the Group's existing operational expertise and use our existing business platform to play an important role in the UK's transition to net zero was through the signing of a HoT with Iona Capital in October 2021. IGas and Iona Capital, an investor with a long track record of successfully investing in UK renewable energy projects, will jointly develop utility scale solar farms in the UK, initially leveraging the strong landowner relationships the Company has through its long history of onshore oil and gas operations.

The first, of what is expected to be several similar scale projects, will be situated in southern England and will be 25-40MW in size. IGas will contribute its planning and infrastructure expertise, whilst Iona Capital will provide non-recourse project finance. During the development phase, costs will be shared and throughout the project lifecycle, IGas and Iona Capital will each own 50% of the project.

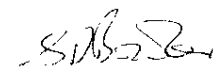
Outlook

The road ahead is an exciting one, but not without its challenges. The world still needs oil and gas for many decades to come but we must also consider our environmental footprint, particularly the greenhouse gases from our operations, and minimise those as much as possible. To meet this objective, we will deploy our technological skills to reduce our carbon footprint where we can, working with regulators and other stakeholders to deliver reduced emissions.

We have committed to an energy transition pathway and our operational expertise as the UK's largest onshore operator gives us the opportunity to use our existing business platform to play an important role in the UK's transition to net zero. Our sub-surface expertise, for example, is relevant to both drilling for geothermal resources and assessing the potential for carbon capture and storage.

Operationally, in the short term, we will continue to focus on safe and responsible production of oil and gas, bringing forward projects to final investment decision (FID) within our existing conventional portfolio that have good internal rates of return and short payback periods.

As we generate free cash flow we must be selective in our capital allocation to ensure the continued longevity of the cash-generative production assets but also to help fund new initiatives and assets to repurpose in a readily accessible onshore environment.



Stephen Bowler
Chief Executive Officer

Financial Review

Sharp focus on costs and disciplined approach to capital allocation

Oil prices have recovered significantly since the start of 2021 hitting highs of c.\$86/bbl in 2021, as the global economic recovery led to oil demand increasing faster than supply. Natural gas prices in Europe and the UK have also been very strong in 2021 with prices rising to over 400p/therm in the UK, a record due to supply constraints in a number of key producing regions and low oil inventories across Europe. The average GBP/USD exchange rate for the year was at £1:\$1.38 (2020: £1: \$1.29).

Production for the year averaged 1,962 boepd (2020: 1,907 boepd). The combination of improved pricing and production resulted in increased revenues of £37.9 million for the year (2020: £21.6 million) which was partially offset by the strengthening of sterling and a realised loss on hedging of £6.6 million (2020: realised gain of £4.6 million). Operating costs increased to £19.1 million (2020: £17.6 million) mainly due to higher electricity generation costs resulting in higher electricity sales volumes and revenues, higher production costs related to higher volumes, the restarting of higher cost fields which were shut in in 2020 and higher staff costs. These increases were partially offset by lower rates and transportation costs. DD&A decreased to £4.8 million (2020: £6.0 million) mainly due to the lower carrying value of assets in 2021 following the impairment to oil and gas properties in 2020. Underlying operating costs per boe, including costs relating to leases capitalised under IFRS 16, were £27.1 (\$37.4) per boe for the year (2020: £25.8 (\$33.3) per boe).

No impairment charge was recognised on the oil and gas properties for the year (2020: impairment of £38.5 million).

Adjusted EBITDA was £5.9 million (2020: £4.0 million) and underlying operating profit was £2.0 million (2020: underlying operating loss of £1.4 million), with the increases resulting primarily from improved revenues.

The Group's net debt was £12.2 million at 31 December 2021 (31 December 2020: £12.2 million) with higher operating cash flows being used to finance capital expenditure and Reserves Based Lending facility (RBL) interest payments. The Group's RBL is subject to a semi-annual redetermination which was completed in November 2021 confirming an available facility limit of £19.3 million (\$26.2 million).

Income Statement

The Group recognised revenues of £37.9 million for the year (2020: £21.6 million). Group production for the year averaged 1,962 boepd (2020: 1,907 boepd). Revenues included £11 million (2020: £11 million) relating to the sale of third party oil, the bulk of which is processed through our gathering centre at Holybourne in the Weald Basin.

The average pre-hedge realised price for the year was \$68.5/bbl (2020: \$39.1/bbl) and post-hedge \$54.3/bbl (2020: \$48.4/bbl). A loss of £6.6 million was realised on hedges due to the improvement in oil prices during the year (2020: realised gain of £4.6 million). The average GBP/USD exchange rate for the year was £1: \$1.38 (2020: £1: \$1.29).

Cost of sales for the year were £23.9 million (2020: £23.5 million) including depreciation, depletion and amortisation (DD&A) of £4.8 million (2020: £6.0 million), and operating costs of £19.1 million (2020: £17.5 million). Operating costs were £1.6 million higher than the prior year due to higher costs from increased electricity generation and higher staff costs partially offset by lower rates and transportation costs. Operating costs include a cost of £1.0 million (2020: £1.0 million) relating to third party oil. The contribution received from processing this third party oil was £0.1 million (2020: £0.1 million).

Operating costs per barrel of oil equivalent (boe) increased to £27.1 (\$37.4), excluding third party costs (2020: £25.8 (\$33.3) per boe) as a result of the higher operating costs in the year.

Adjusted EBITDA in the year was £5.9 million (2020: £4.0 million). The gross profit for the year was £14.0 million (2020: gross loss of £1.9 million).

Administrative costs increased by £0.5 million to £5.8 million (2020: £5.3 million). The increase was due to higher staff costs, higher legal and professional costs relating to corporate activities and the dissolution of international subsidiaries and a lower allocation to capital projects during the year. This was partially offset by lower share-based payment and office rental costs.

No impairment charge was recognised on the oil and gas properties for the year. See note 10 for further details.

Exploration and evaluation assets of £10.5 million were written off during the year (2020: £0.1 million) mainly related to the PEDL 200 licence, in which the basin edge defining Tinker Lane well was drilled in 2018. PEDL 200 and EXL 288 were relinquished during the period. This allows the Group to focus on its core Gainsborough Trough shale acreage.

Net finance costs were £3.9 million (2020: £2.2 million) primarily related to interest and amortisation of finance fees on borrowings of £1.1 million (2020: £1.3 million), the unwinding of discount on provisions of £1.9 million (2020: £1.5 million) and a foreign exchange loss of £0.2 million (2020: gain of £1.5 million). Interest on leases was £0.7 million (2020: £0.8 million).

The increase in oil prices during the year generated a net loss on oil price derivatives of £6.7 million (2020: gain £3.5 million).

A tax credit of £6.2 million was recognised mainly due to the increase in recognition of the deferred tax asset relating to ring-fence tax losses as a result of a significantly improved oil price environment (2020: a tax credit of £2.0 million mainly due to the adjustment to losses brought forward due to Ring Fence Expenditure Supplement claims).

Cash Flow

Net cash generated from operating activities for the year was £7.1 million (2020: £3.6 million). The increase was primarily due to higher revenue partially offset by a realised hedge cost and increased operating and administrative expenses.

The Group invested £4.8 million across its asset base during the year (2020: £8.4 million). £3.9 million was invested in our conventional assets primarily on production enhancement and operational improvements such as replacing older power generation systems with newer, more efficient models as well as the continued expansion and modernisation of instrumentation across our sites. £0.7 million was spent on working up additional exploration opportunities on conventional assets as well as 'care and maintenance' costs relating to shale licences.

The Group spent £0.4 million on its abandonment programme during the year mainly related to wells in the Welton field (2020: £1.3 million).

A net drawdown of £0.7 million (\$1.0 million) (2020: £0.9 million (\$1.0 million)) was made under our RBL and we paid £0.8 million (\$1.0 million) in loan interest (2020: £0.9 million (\$1.2 million)).

To protect against the volatile oil price and in accordance with the requirements of our RBL facility, the Group places commodity hedges for a period of up to 12 months. As at 31 December 2021, the Group had hedged a total of 336,000 bbls for 2022, using a combination of puts (114,000 bbls at an average downside protected price, net of premium, of \$44.5/bbl) and fixed price swaps (216,000 bbls at an average fixed price of \$67.9/bbl).

Cash and cash equivalents were £3.3 million at the end of the year (2020: £2.4 million).

	2021 £m	2020 £m
Revenues	37.9	21.6
Adjusted EBITDA ¹	5.9	4.0
Underlying operating profit/(loss) ¹	2.0	(1.4)
Loss after tax	(6.0)	(42.1)
Net cash from operating activities	7.1	3.6
Net debt ¹	12.2	12.2
Cash and cash equivalents	3.3	2.4
Net assets	68.6	73.3

1 These are non-IFRS alternative performance measures which are further explained on page 17

	2021 \$m	2020 \$m
Realised Price Per Barrel		
Realised price per barrel	54.3	48.4
G&A per boe	11.4	10.3
Other operating cost (underlying)	29.0	24.3
Well services	5.3	5.4
Transportation	3.1	3.6

	2021 £m	2020 £m
Adjusted EBITDA		
Loss before tax	(12.3)	(44.1)
Net finance costs	3.9	2.2
Changes in fair value of contingent consideration	(0.6)	0.2
Depletion, depreciation & amortisation	4.9	6.3
Impairments	10.5	38.6
EBITDA	6.4	3.2
Lease rentals capitalised under IFRS 16	(1.5)	(1.8)
Share-based payment charge	0.9	1.0
Unrealised loss on hedges	0.1	0.8
Redundancy costs	–	0.6
Acquisition costs	–	0.2
Adjusted EBITDA	5.9	4.0

	2021 £m	2020 £m
Underlying operating profit/(loss)		
Operating loss	(9.0)	(42.1)
Lease rentals capitalised under IFRS 16	(1.5)	(1.8)
Depreciation charge of right-of-use assets	1.0	1.3
Share-based payment charge	0.9	1.0
Impairments	10.5	38.6
Unrealised loss on hedges	0.1	0.8
Redundancy costs	–	0.6
Acquisition costs	–	0.2
Underlying operating profit/(loss)	2.0	(1.4)

	31 December 2021 £m	31 December 2020 £m
Debt (nominal value excluding capitalised expenses)	(15.5)	(14.6)
Cash and cash equivalents	3.3	2.4
Net debt	(12.2)	(12.2)

Financial Review

continued

Balance Sheet

Net assets decreased by £4.7 million to £68.6 million at 31 December 2021 (2020: £73.3 million), mainly due to the impairment of exploration and evaluation assets of £10.5 million, offset by an increase in the net deferred tax asset of £6.2 million.

Changes to the estimate of decommissioning costs, following an internal review, increased both assets and liabilities by £3.3 million (2020: increase of £6.2 million).

At 31 December 2021, right-of-use assets were £7.0 million (2020: £7.7 million) and related lease liabilities were £7.2 million (2020: £7.5 million).

At 31 December 2021, the Group has a combined carried gross work programme of up to \$216.4 million (£159.7 million) (2020: \$218.0 million (£160.0 million)) from its partner, INEOS Upstream Limited.

Borrowings increased from £13.7 million to £14.8 million during the year due to net drawdowns of £0.7 million, a revaluation loss of £0.2 million and amortisation of capitalised fees of £0.2 million. Net debt at the year-end was £12.2 million (2020: £12.2 million).

2022 Capital Expenditure

In 2022, we are forecasting a total £7.4 million of capital expenditure. This includes site improvements, near-term incremental projects to generate c.70-100 boepd, as well as longer-term development projects which have the potential to unlock a total of 2.5 million barrels of 2C resource and generate up to 8MW of power. In addition, we have £1.8 million of cash outflow in 2022 for projects executed towards the end of 2021.

We expect a cash outflow of c.£1.8 million for our abandonment programme in 2022, of which £0.4 million relates to work carried out in 2021.

“Measures taken by various governments to contain the virus affected global economic activity and resulted in a significant reduction in demand for oil.”

Going Concern

The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are regularly produced based on, inter alia, the Group's production and expenditure forecasts, management's best estimate of future oil prices, management's best estimate of foreign exchange rates and the Group's available loan facility under the RBL. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, strengthening of sterling and reductions in forecast oil and gas production rates.

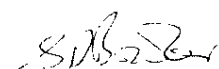
The Group's operating cash flows have improved in 2021 as a result of improving commodity prices and we have successfully completed the 2021 year-end redetermination. However, the ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its RBL, which is redetermined semi-annually based on various parameters (including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants. We also assumed that our existing RBL facility is amortised in line with its terms but is not refinanced or extended resulting a reduction in the facility to \$12 million from 1 July 2023. To mitigate these risks, the Group benefits from its hedging policy with 231,000 bbls currently hedged for Q2-Q4 2022 using swaps at an average price of \$74/bbl and 129,000 bbls using puts with an average price, net of premiums, of \$46/bbl. In addition, we have hedged 15,000 bbls for Q1 2023 using swaps at \$95/bbl.

Management has considered the impact of supply chain constraints on the Group's operations. We have seen some impact on production during 2021 due to supply chain constraints and the need for members of our staff to self-isolate and have developed a number of contingency plans to mitigate this. Many of our sites are remotely manned and we are well equipped as a business to ensure we maintain business continuity recognising that our production comes from a large number of wells in a variety of locations and we have flexibility in our off-take arrangements.

Crude oil prices rose during 2021 and into 2022 as increasing COVID-19 vaccination rates, loosening pandemic-related restrictions, and a growing economy resulted in global petroleum demand rising faster than petroleum supply. The Ukraine war and sanctions imposed on Russia have caused disruption to international trade and dislocations in energy markets, tightening oil and gas markets significantly and causing prices to rise further while increasing price volatility.

The Group's base case cash flow forecast was run with average oil prices of \$96/bbl for 2022 falling to an average of \$85/bbl in 2023 based on the forward curve. A foreign exchange rate of \$1.35/£1 was used. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility for the 12 months from the date of approval of the financial statements. Management has also prepared a downside case with average oil prices at \$90/bbl for H1 2022; \$76/bbl for H2 2022 and \$68/bbl for 2023 and an average exchange rate of \$1.37/£1.00 for 2022 and \$1.42/£1.00 for 2023. Our downside case also included an average reduction in production of 5% over the period. Management expects to execute further hedging during the course of the year, which will provide further protection in the downside case. Management would also take mitigating actions including delaying capital expenditure and additional reductions in costs in order to remain within the Group's debt liquidity covenants should such actions be necessary if prices were to decrease further. All such mitigating actions are within management's control. We have not assumed any extensions or refinancing to the RBL. In this downside scenario, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants for the 12 months from the date of approval of the financial statements.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.



Stephen Bowler
Chief Executive Officer

Non-IFRS Measures

The Group uses non-IFRS measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. The non-IFRS measures include net debt, adjusted EBITDA and underlying operating profit.

These non-IFRS measures are used by the Group, alongside IFRS measures, for both internal performance analysis and to help shareholders, lenders and other users of the Annual Report to better understand the Group's performance in the period in comparison to previous periods and to industry peers.

Net debt is defined as borrowings excluding capitalised fees less cash and cash equivalents and does not include the Group's lease liabilities.

Adjusted EBITDA and underlying operating profit includes adjustments in relation to non-cash items such as share-based payment charges and unrealised gain/loss on hedges along with other one-off exceptional items.

Lease costs for the period which have been capitalised under IFRS 16 have been added to underlying operating costs and deducted in the calculation of adjusted EBITDA to be consistent with previous periods.

Key Performance Indicators (KPIs)

Measuring our progress

IGas tracks both financial and non-financial metrics to help the Group manage its long-term performance and measure progress against its strategy.

Non-financial

Lost Time Injuries (LTI) (number)

Progress on Development – asset optimisation, oil and gas opportunities and diversification

Two

2021	Two	2021	Albury & Bletchingley planning submitted. Solar agreement with Iona Capital. Stockbridge water disposal underway.
2020	Nil		
2019	Nil	2020	Completed the acquisition of GTE, a geothermal developer with a flagship project in Stoke-on-Trent. Signed partnership agreement with BayoTech for development of hydrogen on existing sites. Scampton waterflood project online.
2018	One		
2017	Two	2019	Drilled a vertical well at Springs Road and announced a world-class shale discovery in June.
		2018	Completed site construction at both Tinker Lane and Springs Road; drilled a vertical well at Tinker Lane and plugged and abandoned the well following completion of drilling; and appealed the decision for flow tests at Ellesmere Port following rejection of the application by Chester West and Chester council.
		2017	Granted planning permission for a vertical well in PEDL 200 (Tinker Lane); planning conditions discharged and site construction commenced for both Springs Road and Tinker Lane; submitted planning application for flow tests at existing Ellesmere Port well; and submitted a scoping request for drilling and hydraulically fracturing a well at Ince Marshes in the NW.

Reasons for choice

Health and safety is of paramount importance to us in providing the highest level of protection to all our stakeholders.

The Group intends to play an important role in the UK's energy transition and position itself as a flexible deliverer of a variety of energy sources whilst maximising opportunities in its existing business.

How we measure

We tracked nine leading and 11 lagging indicators during the year and these are reported to the Board on a monthly basis. We aim to have zero LTIs but when we do have an LTI this is fully investigated with clear remedial action as required and communication of learnings to the organisation.

Progress against budgeted work programmes is tracked on a monthly basis and reported to the Board. Where progress is slower than expectations, actions are taken to understand the reasons and issues addressed.

Target and results for 2021

The target of 0 LTIs was not met. An in-depth review of our existing procedures was undertaken and subsequent implementation of a number of improvements. Our Total Recordable Injury Frequency Rate was driven down. We maintained ISO 9001 and 14001 accreditation.

Two oil and gas projects were brought forward. An agreement was signed with Iona Capital for the funding of a solar development platform and planning was submitted for the Albury and Bletchingley hydrogen projects.

Remuneration

This measure is used to determine the level of annual cash bonus.

This measure is used to determine the level of annual cash bonus.

Financial

Production (boepd)		Operating costs (\$/boe)		Operating cash flow before working capital movements (£m)	
1,962 boepd		\$37.4/boe		£7.4m	
2021	1,962 boepd	2021	\$37.4/boe	2021	£7.4m
2020	1,907 boepd	2020	\$33.3/boe	2020	£3.3m
2019	2,325 boepd	2019	\$30.1/boe	2019	£14.3m
2018	2,258 boepd	2018	\$32.0/boe	2018	£11.6m
2017	2,355 boepd	2017	\$28.5/boe	2017	£8.9m

Reasons for choice

The Group aims to maintain production levels to provide operating cash flow for funding of the Group. To ensure this target is met an appropriate level of capital investment is planned to mitigate against the underlying decline in our mature fields.

Operating costs per boe is a key focus for the Group as keeping costs low will improve the cash that we generate from our producing assets.

Operating cash flow is key to providing funding for investing in the business as we pursue our growth strategy.

How we measure

Daily and weekly production is monitored for all producing assets and reported weekly to senior management and monthly to the Board. Monthly production forecasts are prepared during the year to measure progress against the production target.

Operating costs are monitored closely to ensure that budget targets are being met. Operating costs are reported on a monthly basis to the Board and actions are taken, as required, to control costs in line with the budget.

Operating cash flow is reported to the Board on a monthly basis. Regular forecasts are undertaken to ensure operating cash flow is in line with budget, as well as longer-term forecasts to ensure that the strategy of the business can be adequately funded.

Target and results for 2021

Production for the year was 1,962 boepd. Our operations, maintenance and project activities were all directly and indirectly impacted by COVID-19 which led to reduced production of c.130 boepd.

Operating costs were \$37.4/boe, exceeding the target set for the year. Total operating costs were lower than the target but the rate per boe was impacted by lower production volumes.

Operating cash flow before working capital movements was £7.4 million which exceeded the target set for the year. Higher commodity prices, net of hedges, more than offset the impact of lower production. We continued to focus on cost savings to offset inflationary pressures and COVID-19 related impacts.

Remuneration

This measure is used to determine the level of annual cash bonus.

This measure is used to determine the level of annual cash bonus.

This measure is used to determine the level of annual cash bonus.

Risk Management

Understanding the risks associated with our operations

Risk	Executive Ownership	Mitigation	Change
Strategic			
1. Exposure to political risk This can include changes in Government or the effect of a local or national referendum. These political risks can result in changes in the regulatory or fiscal environment (including taxation) which could affect the Group's ability to deliver its strategy. This can also include geopolitical risk such as the war in Ukraine, which has the potential to impact commodity prices.	CEO – Stephen Bowler	The Group engages with Government and other appropriate organisations, directly and through UKOOG and other industry associations, to ensure the Group is kept abreast of expected potential changes and takes an active role in making appropriate representations. The Group also monitors geopolitical impacts on oil and gas prices (see risks 10 and 11).	
2. Strategy performance Strategy fails to meet shareholder expectations.	CEO – Stephen Bowler	The Group provides clear, transparent and consistent communication to all stakeholders and holds regular meetings with shareholders and potential shareholders.	
3. Climate change Changes in laws, regulations, policies, obligations and social attitudes relating to the transition to a lower carbon economy could lead to higher costs, or reduced demand and prices for hydrocarbons, impacting the profitability of the Group.	CEO – Stephen Bowler	The Group works closely with regulators to ensure that all required planning consents and permits for operations are in place and maintains continual dialogue with all stakeholders to understand emerging requirements. The Board actively reviews the Group's strategy to ensure it remains relevant and will provide long-term returns to shareholders. The Group's strategy includes diversification into the wider energy market such as geothermal energy and hydrogen generation which it believes can form a key part of the UK's transition to net zero in 2050, developing a competitive advantage and distinguishing IGas from its peers.	
4. Cyber security Exposure to a serious cyber-attack which could affect the confidentiality of data, the availability of critical business information and cause disruption to our operations.	Development Director – Ross Glover	The Group outsources its provision of IT equipment and help desk services to a third party and ensures that staff are trained in security awareness. The Group has been accredited with Cyber Essential Plus which demonstrates commitment to cyber security.	
Operational			
5. Planning, environmental, regulatory, licensing and other permitting risks Planning, environmental, licensing and other permitting risks associated with operations and, in particular, with drilling and production operations.	CEO – Stephen Bowler	The Group considers that such risks are partially mitigated through compliance with regulations, proactive engagement with regulators, communities and the expertise and experience of its team. Continual dialogue with local authorities to understand requirements.	
6. Oil or gas production Oil or gas is not produced in the anticipated quantities from any or all of the Group's assets or that oil or gas cannot be delivered economically.	Production Director – Chris Beard	The Group considers that such risks are mitigated given that its producing assets are located in established oil and gas producing areas, there is a portfolio of producing assets and its operating staff have extensive expertise and experience.	

			Direction of change		
			Increase		
			No change		
			Decrease		
Risk	Executive Ownership	Mitigation	Change		
Operational continued					
7. Shale gas resources Successful development of shale gas resources is not achieved. Effective moratorium remains in place.	Development Director – Ross Glover	The Group continues to work with joint venture partners, other operators, the Government and regulators to work towards the lifting of the moratorium and subsequent appraisal and development of the Group's shale acreage.			
8. Loss of key staff Loss of key staff.	CEO – Stephen Bowler	<i>The Group aims to maintain a competitive remuneration package to attract the correct calibre of staff. We seek to build a strong and unified team and to ensure that we have a clearly defined people strategy based on culture and talent.</i> Development plans are in place for all staff.			
9. Pandemic Exposure to a global pandemic, such as COVID-19, that leads to reduction in staff availability, disruption to the Group's operations and delays to the supply chain.	CEO – Stephen Bowler	The Group has business continuity plans in place to manage any disruption to operations. These include procedures to ensure staff are kept healthy and safe and that the Group complies with all guidance issued by the Government. Office staff work from home where appropriate and the necessary technology and equipment are in place to maintain this. Liaison with all regulators to ensure that the Group remains compliant with all permits and regulatory standards.			
Financial					
10. Oil market price risk Exposure to market price risk through variations in the wholesale price of oil in the context of the production from oil fields it owns and operates.	Finance Director – Frances Ward	The Board seeks to underpin the Group's future cash flows by entering into a combination of swaps and collars for baseline production to cover 12 months forward. The Group has hedged 321,000 barrels for the year at an average price of \$72/bbl using fixed price swaps and 129,000 barrels with an average floor price of \$46/bbl using puts. The Board will continue to monitor the benefits of such hedging.			
11. Gas and electricity market price risk Exposure to market price risk through variations in the wholesale price of gas and electricity in the context of its future unconventional production volumes.	Finance Director – Frances Ward	The Board monitors the benefit of entering into contracts at the appropriate time to protect against gas and electricity price volatility.			
12. Exchange rate risk Exposure to exchange rate risk through both its major source of revenue and its major borrowings being priced in \$.	Finance Director – Frances Ward	The Board monitors the cash flows of the Group to ensure currency exposure is understood. Exchange rate hedges are considered to ensure that cash inflows in US dollars are matched with sterling cash outflows.			
13. Liquidity risk Exposure, through its operations, to liquidity risk.	Finance Director – Frances Ward	The Board regularly reviews the Group's cash forecasts and the adequacy of available facilities to meet the Group's cash requirements.			
14. Capital risk The Group is exposed to capital risk resulting from its capital structure, including operating within the covenants of its RBL facility.	Finance Director – Frances Ward	The capital structure is continually monitored to ensure it is in line with the business needs and ongoing asset development. Further details of the Group's capital management policy are disclosed in note 23 to the consolidated financial statements.			

Sustainable and Responsible Business

IGas is a socially and environmentally responsible energy producer

Environmental

- Planning application to turn gas to wire to hydrogen production reducing end user emissions (initially grey with pathway to blue)
- Introduction of an ESG ranking for all projects

Social

- RoSPA Presidents Award, representing 15 years of commitment to Occupational Health and Safety
- IGas Community Fund 2021
- Mental Health First Aider programme to be introduced

Governance

- Signed UN Global Compact
- Board composition reformed in line with QCA Code
- Preparing to align to TCFD Reporting

We support the United Nations' Sustainable Development Goals with an active focus on:

UN Global Compact:

The UN Global Compact (UNGC) is the world's largest corporate sustainability initiative which aims to support companies to do business responsibly by aligning their strategies and operations with the Ten Principles on human rights, labour, environment and anti-corruption. Alongside this, the Compact actively encourages further action regarding the UNSDGs, emphasising collaboration and innovation to advance broader societal goals. IGas joined as a signatory to the Global Compact in 2021 and will fulfil the three requirements within the annual Communications on Progress (CoP): stating our continued support for the UNGC, describing the actions taken by the Company and measuring the outcomes.

Health & Safety

IGas is committed to the highest standards of health and safety and we strive every day to maintain a positive safety culture across our business. We work hand in hand with our contractors as one team, working to keep everyone safe and healthy. We adhere to all laws and regulations governing safe working and, in many cases, our internal standards go above the requirements of the law.

It was therefore disappointing that we had two Lost Time Injuries (LTI) during 2021. Neither of them were life changing, but nevertheless, we strive to eliminate any injuries to people *working on our operations*. Each incident triggered an in-depth review of our existing procedures and subsequent implementation of a number of improvements.

In spite of this, overall the Company's incident rate is substantially below published industry statistic rates, based on the number of employees and hours worked.

As part of our ongoing and continual work to ever improve Health & Safety within the Company, 2021 saw the launch of a number of safety related campaigns. These campaigns have had a measurable impact, further reducing incident rates and improving both the quantity and quality of internal HSE type reports.

Participation in our safety observation programme (HazObs) has always been actively promoted at IGas. During 2021, a successful campaign to encourage broader participation with a number of safety related processes saw HazObs reporting reach record levels in both number of observations and percentage of employees who engaged with the process.

We ensure our colleagues have access to affordable healthcare and aim to achieve top quartile industry performance on our occupational safety measures. This is demonstrated through IGas achieving the RoSPA Presidents Award again in 2021, representing 15 years of commitment to Occupational Health and Safety.

Managing our response to COVID-19 continued to dominate the year. During 2020, our offices were shut to all but essential staff and we saw the rapid and successful rollout of procedures and processes focused on maintaining social distance, increased levels of hygiene and remote working. In 2021, those procedures were further improved, so that now maintaining social distance, increased levels of hygiene and remote working are all second nature to those that work on our sites.

The programme of Emergency Response Exercises continued into 2021 with us once again exceeding our KPI. Regularly testing our response plans ensures that they constantly improve and that they work in the event of an emergency.

Environment

We are determined to play a vital part in the UK energy transition and lowering our impact on the environment is a key step in that journey.

We operate in a highly regulated environment and there are strict rules in place to help us monitor and minimise our impact. For further information on our regulators please see page 07 in Our Stakeholders.

"Caring about the environment, making a positive impact on society and good governance are core to our business."

IGas operates an ISO 14001 certified Environmental Management System and by doing so demonstrates, via external assurance, that the systems and processes which we apply to our business in the management and determination of environmental risk are robust. During 2021, our certification for both ISO 9001 and 14001 were successfully renewed.

During 2021, the HSEQ team further developed our GHG Scope 1 & 2 reporting capability so that we now report both monthly and by site. All new projects include an evaluation of their Scope 1 & 2 emissions and the result is a significant factor in determining a project's likelihood of being 'greenlit' for approval and subsequent execution.

Climate Change and GHG Emissions

Climate action is now a global priority, with the UK targeting net zero and IGas is resolved to be part of that transition, delivering low-carbon solutions such as geothermal, solar and hydrogen whilst delivering domestic oil in a responsible way, constantly looking to reduce its impact on the environment.

IGas recognises the risk that climate change poses to society and to its business.

We support the UK's transition to a low carbon economy, through the responsible development and production of domestic onshore oil and gas in alignment with the Committee on Climate Change recommendations and also through our investment in low carbon technologies such as geothermal and hydrogen.

Our approach to managing our GHG emissions involves:

- The efficient operation of our existing equipment and infrastructure, including minimising flaring and venting; and
- The installation of best available technology into all new projects to minimise their carbon intensity.

		2020	2021
Scope 1 emissions	kg CO _{2eq} /boe	45.55	45.23
Scope 2 emissions	kg CO _{2eq} /boe	0.18	0.23
Emissions intensity	kg CO _{2eq} /boe	47.0	46.2
Energy consumption	MWh	10,572	12,976

Streamlined Energy and Carbon Reporting (SECR) Disclosure

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the Government's policy on SECR, requiring disclosure of the environmental performance of the Group's assets through calculating the Group's GHG emissions. Our disclosure presents our carbon footprint across Scope 1 & 2 together with an appropriate intensity metric and total energy use.

The GHG sources that constitute our operational boundary for the reporting period are:

- Scope 1: Direct emissions from Company-owned and controlled resources;
- Scope 2: Indirect emissions from purchased energy;
- Emissions intensity; and
- Energy consumption.

IGas complies with all of its environmental permits in respect to emissions.

Methodology

GHG emissions are quantified and reported according to the Greenhouse Gas Protocol. Consumption and production data has been collated and converted into CO₂ equivalent using the UK government 2020 Conversion Factors¹ for Company Reporting to calculate emissions from corresponding activity data. To collect both consumption and production data, the Group has reviewed emissions data related to production, electricity purchases, fuel purchases related to mileage in Group-owned vehicles as well as staff expenses related to business mileage in private vehicles.

This information has been prepared in accordance with the GHG Protocol's Guidance. Data collected relates to the most recent 12 month period where data was available.

Energy Efficiency Action

The Company has made efforts to improve its operational energy efficiency and we are committed to identifying, monitoring and mitigating any negative impact we may have on our surrounding environment.

During 2021 we completed our assessment of gas emissions at each of our sites and in so doing have identified opportunities to further lower our GHG emissions in the future.

- At the Welton Gathering Centre we upgraded our gas engine lowering emissions and increasing efficiency.
- At Scampton, we now use the methane produced on site to not only generate electricity but to also provide sufficient heat to separate produced fluids onsite, with the produced water being injected back into the reservoir not only reducing vehicle movements but also providing pressure support to future production.
- At Larkwhistle Farm an energy hungry jet pump has been replaced with a more efficient beam pump.

The Company is continually reviewing its energy consumption and developing new technologies such as geothermal and hydrogen with the aim of delivering on-going reductions in emissions and thereby reducing its emissions intensity ratio. Further information on our low-carbon energy businesses can be found on pages 12 and 13.

¹ Where conversion factors for specific compounds are not published by the UK government suitable values have been sourced from reputable alternative sources.

Corporate Governance Statement

Introduction to Governance

Dear Shareholder,

As Interim Chair of the Company, I have overall responsibility for ensuring that good corporate governance is embraced by IGas and the Group as a whole. In doing so, I work with, and consider, the views of all Board members, the Executive Committee (Excom) and the Company's advisers. The Board is fully committed to ensuring that high standards of governance, values and behaviours are consistently applied throughout the Group, helping to ensure the integrity of our business, the successful delivery of our strategy and the long-term success of the Group as a whole.

The Company continues to adopt and comply with the Quoted Companies Alliance Corporate Governance Code (QCA Code) and implement its ten principles of corporate governance. We report our compliance with the QCA Code through pages 25 to 27 of this Annual Report and the Corporate Governance section of our website. Governance for us includes a broad number of structures, activities and controls, as well as different levels of accountability and responsibility.

Since the onset of the COVID-19 crisis the Board has taken appropriate measures including working from home and has sponsored the application of working practices in line with Government advice throughout the Company's operations. As restrictions have eased procedures have been changed in line with Government guidance being mindful as to impacts on the business as a whole. The Board also increased its monitoring of the potential impacts of the crisis on the Company including reviewing a range of cash flow projections incorporating downside price and other scenarios and is keeping company strategies and potential opportunities under review, as we slowly emerge from the pandemic. Health, safety and wellbeing were key areas of focus in 2021. In addition to regular monthly all staff updates, in response to COVID-19, the Company delivered town hall meetings online, as well as in-person where permissible to do so. Throughout the year, we encouraged staff to utilise regular scheduled meetings with their supervisors and managers to raise questions, issues, ideas and concerns as well as introducing small group 'safety initiative' meetings across the operations division which captured over 600 comments, questions and suggestions.

"Health, safety and wellbeing were key aspects of 2021."

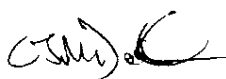
In order to ensure the safety of employees and our shareholders, we were required to hold our 2021 annual general meeting as a closed-door meeting. However, in order to afford shareholders the opportunity to ask questions of the Board we made available a facility for shareholders to submit their questions by email to the Company. Throughout the year the Company continued to engage with its shareholders and stakeholders on the current position of the business and its future strategy. Further information on our stakeholder engagement can be found on pages 06 to 09. Our primary means of communicating the Group's corporate governance structure is through the Annual Report and various disclosures made on our website. Nevertheless, where specific questions are raised by private individual shareholders and institutional investors, we engage directly with those shareholders, principally through the Chief Executive Officer and the Director of Corporate Affairs or, where appropriate, certain other members of our Excom, namely the Finance Director and Technical Director.

We seek to communicate our corporate culture through staff presentations and inductions. We rely on our management structure and our internal reporting structures to assess whether these core values have been respected, and our Director of Human Resources is tasked with monitoring internal compliance on an ongoing basis.

The Nomination Committee reviewed the Board's composition during the year. On 10 January 2022 we announced that after ten years of service as an independent Non-executive Director, I would step down from the Board later this year and Chris Hopkinson would join the Board as an independent Non-executive Director with immediate effect, with the intention that Chris would take over the role of Non-executive Chairman from me in due course. Chris joined as a member of the Audit, Nomination and Remuneration Committees. IGas is committed to diversity, including gender diversity, and we have a number of women in senior management roles. On 7 February 2022, we announced the appointment of another independent Non-executive Director, Kate Coppinger, to the Board. Kate joined as a member of the Audit and Remuneration Committees. Following these appointments, the Board exceeds the best practice recommendation of the QCA Code in having three independent Non-executive Directors on the Board, constituting 50% of the Board.

A focus for the first half of 2022 for me will be the handover of responsibility to my successor, Chris Hopkinson, who will, following the conclusion of the AGM, become the Chairman of the Company. I am sure that Chris will prove to be a valued and respected addition to the Board and a highly effective Chairman. I hand over with every confidence in Chris' future success and that of the Company.

I look forward to welcoming you to our AGM on 15 June. This will be my last AGM as a Director. I have greatly enjoyed my time at IGas and seeing the Company grow to the business it is today. I would like to thank you for your support.



Cuth McDowell
Interim Non-executive Chairman

Corporate Governance Principles Applicable to IGas

The ten QCA Code corporate governance principles are:

1. Establish a strategy and business model which promotes long-term value for shareholders
2. Seek to understand and meet shareholder needs and expectations
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation
5. Maintain the board as a well-functioning, balanced team led by the chair
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
8. Promote a corporate culture that is based on ethical values and behaviours
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Corporate Governance Statement continued

Application of the QCA Code

The Company has adopted the QCA Code since 2018 on the basis that it is the corporate governance code most suited to our requirements, size, strategy, resources and stage of development, as it offers a flexible but rigorous outcome-oriented framework in which we can continue to develop our governance model to support our business.

The QCA Code requires us to apply the principles as set out above and to publish certain related disclosures in our Annual Report, on our website, or a combination of the two. We have followed the QCA Code's recommendations and have therefore provided disclosure relating to Principles 2, 3 and 9, as well as those aspects of Principles 8 and 10 recommended to be disclosed on our website, in a corporate governance statement on our website and cover the remaining principles in this Annual Report. We depart from the recommendation of the QCA Code in respect of Principle 7 as we cover all aspects recommended to be disclosed by the QCA Code in respect of that principle, including those aspects which the QCA Code recommends be covered on our website, in this Annual Report. An index setting out where each required disclosure can be found is situated at the end of the corporate governance statement on our website.

Strategy and Business Model – QCA Principle One

The Group's strategy and business model is described in the Strategic Report on pages 1 to 13.

Effective Risk Management – QCA Principle Four

The Group embeds risk management throughout the organisation and this is described on pages 20 and 21.

Board Balance – QCA Principle Five

See page 32 for information on those Directors who are considered to be independent, the time commitment required for Directors to conduct their role and the number of meetings of the Board, its committees and the relevant Directors' attendance record.

Board Skills – QCA Principle Six

Information on each of the Directors is provided on pages 28 and 29.

The Board, led by the Chair, has the necessary skills and knowledge to discharge their duties and responsibilities effectively, setting clear expectations and ensuring stringent measures for corporate governance standards are met, particularly in relation to executive remuneration, accountability and audit.

The Executive and Non-executive Directors' skill sets are complementary, and together provide a blend of broad commercial, operational, legal, and financial expertise. The skill set is suitably broad and sufficiently high calibre such that all decision making at Board level is robust and mindful of the fiduciary responsibilities that need to be discharged to all shareholders. In addition, the Directors are aware of the importance of keeping abreast of the industry's current activities and attend oil & gas conferences and events globally throughout the year to keep their skills, contacts and knowledge current and simultaneously engage with governments, global operators and service providers in the oil and gas industry.

Details of the Company's advisers can be found on the Company's website at <http://igasplc.com/investors/shareholder-information/registrars-and-advisors>.

See the corporate governance statement on our website for further details of the internal advisory responsibilities performed by certain individuals in advising and supporting the Board.

Board Effectiveness – QCA Principle Seven

In 2019 the Board formalised its procedures for self-evaluation and undertook a self-evaluation in respect of its effectiveness. The Board reviewed the effectiveness of its performance and assessed its strengths as well as areas for development with an agreed set of actions which it has maintained in 2021. The Board considered the need for an evaluation exercise during 2021 and concluded that the priority should be to continue to focus on the Group's response to COVID-19 and such a process will be undertaken when it is reasonably practicable.

The Chairman has responsibility to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. It is imperative that the relationship between the Chairman and the CEO, as well as all Board members and Excom, remains collaborative, cordial and robust. The Board members work together in the best interests of the Company, while remaining comfortable to engage in rigorous and constructive debate. There is a strong flow of communication between the Directors, and in particular between the CEO and Chairman, with consideration being given to both standing agenda items and the strategic and operational needs of the business.

As a Board we consider the independence of all members and have an effective conflict of interests procedure in place. Any conflicts are declared by Directors at commencement of each Board meeting and appropriate information protocols are put in place in order to govern information flows. Comprehensive board papers are circulated in advance of meetings, giving Directors due time to review the documentation and enabling an effective meeting. Minutes are drawn up to reflect the true record of the discussions and decisions made. Resulting actions are tracked for appropriate delivery and follow up.

The Directors have a wide knowledge of the Company's business and understand their duties as Directors of a company quoted on AIM. The Directors have access to the Company's Nominated Adviser (Nomad), auditors and solicitors as and when required. The Company's Nomad provides annual boardroom training on the AIM Rules and its governance requirements. These advisers are available to provide formal support and advice to the Board from time to time and do so in accordance with good practice. The General Counsel and Company Secretary has frequent communication with both the Chairman and CEO and is available to other members of the Board as required. The Directors are also able, at the Company's expense, to obtain advice from external advisers if required.

The Board is committed to ensuring effective succession planning. The Nomination Committee is responsible for reviewing Board and senior management succession planning to ensure that the Company has the appropriate level of skills and diversity. Where appropriate the Nomination Committee uses external advisers to assist with candidate identification and benchmarking. The Nomination Committee reviewed the Board's composition during the year, following which Chris Hopkinson joined the Board as an independent Non-executive Director on 10 January 2022. After ten years of service as an independent Non-executive Director, the Chairman will step down from the Board following the conclusion of the AGM and Chris Hopkinson will take over the role of Non-executive Chairman from him. Chris Hopkinson joined as a member of the Audit, Nomination and Remuneration Committees.

How We Manage Our Company

The Board

The Board is responsible for the overall governance of the Group. Its responsibilities include reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

Read more on pages 28 and 29

Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting processes and ensuring the financial statements give a true and fair view of the Company. Whilst the Board is ultimately responsible for risk management and internal controls in the Company, the Audit Committee is responsible for ensuring that executive management takes responsibility for internal controls being appropriately designed and are both efficient and effective in practice. In addition to its natural focus on the preparation of the Company's annual report and accounts, the Audit Committee monitors the integrity of the Company's broader corporate reporting, risk management systems (including the identification of future opportunities) and internal control environment, and has a continued role in determining the Company's approach to risk and the extent to which the Company is willing to take risks.

Read more on pages 32 and 33

As noted in the Chairman's introduction on page 25 of this Annual Report, IGas is committed to diversity, including gender diversity and we have a number of women in senior management roles. On 7 February 2022, we announced the appointment of another independent Non-executive Director, Kate Coppinger, to the Board. Following these appointments, the Board exceeds the best practice recommendation of the QCA Code in having three independent Non-executive Directors on the Board.

The Nomination Committee continues to ensure that there is a robust succession plan for the Excom and senior management positions.

The Excom and, at a more junior level, senior departmental managers address progression of employees through annual appraisals and competency reviews.

Governance and Shareholder Dialogue – QCA Principle Ten

See below for an overview of the work of the committees of the Board undertaken in 2021.

See pages 36 to 41 of this Annual Report for the Remuneration Committee Report.

Consistent with previous years, this Annual Report does not include a separate Audit Committee Report. However, page 33 of this Annual Report outlines the key areas of focus of the Audit Committee in the year ended 31 December 2021. The Group will further assess internally as to whether it is necessary and appropriate to make further disclosures under the QCA Code, either through a report of the Audit Committee or more likely in sections of the next annual report.

Executive Committee (Excom)

The Excom is responsible for the day-to-day running of the operational business with a focus on performance management and ensuring that the Group's key performance indicators are being met.

Read more on pages 30 and 31

Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing the remuneration policy for the Executive Director and senior managers.

Read more on pages 33 and 34

Nomination Committee

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board and ensuring the balance and expertise of the Board remains appropriate to meet the needs of the Company.

Read more on page 34

Board of Directors

Leading the Company the right way

Stephen Bowler

Chief Executive Officer

Appointed 2015

Skills and experience

Steve became Chief Executive Officer of the Company in May 2015 having joined IGas as Chief Financial Officer in 2011. He is a qualified chartered accountant and spent 12 years in corporate finance with ABN Amro Hoare Govett, now part of Jefferies, where he acted as adviser and broker to a wide range of UK listed companies in the oil and gas sector.

Since joining the Company, Steve has led the Company through significant transition including the farm-outs to Total and INEOS, the acquisition of GTE, IGas's geothermal business, as well as developing partnerships with low carbon energy fund managers.

Cuth McDowell

Interim Non-executive Chairman

A R N

Appointed 2012

Skills and experience

Cuth has 38 years of international experience in the oil and gas sector, having held a range of leadership positions in Exploration and Production companies.

He began his career with BP, where he held various commercial and management roles over eight years. Cuth then joined Clyde Petroleum plc, initially as Senior Economist, subsequently becoming Group Commercial Manager before Clyde was acquired by Gulf Canada.

In 1997, Cuth joined Paladin Resources plc, where he served primarily as Finance Director. The company raised approximately £120 million in four separate primary offerings before it was sold to Talisman Energy Inc. for approximately £1.2 billion in 2006. Cuth is currently chairman at Quotall Ltd., an unlisted software development company.

Philip Jackson

Non-executive Director

R N

Appointed 2017

Skills and experience

Philip Jackson serves on Kerogen's Advisory Board. He is a director and chairman of the Remuneration Committee of New Age (Global Africa Energy) Limited, Executive Chairman of Regenaris Energy Advisers and Chairman of OneWater Group Limited. He has over 30 years' experience in investments and corporate finance in energy and infrastructure projects.

He was the founder and former Chief Executive of J.P. Morgan Asset Management's \$860 million Asian Infrastructure and Related Resources Opportunity Fund. He started his career with the energy team at Ashurst LLP before moving to its client Trafalgar House plc, then one of the UK's leading independent oil and gas companies.

Philip is a Fellow of the Energy Institute. He graduated with an MA in law from the University of Cambridge and qualified as a solicitor of the Supreme Court in England.

Committee member key

A Audit
Committee

R Remuneration
Committee

N Nomination
Committee

Chair
Member

Tushar Kumar

Non-executive Director

A

Appointed 2017**Skills and experience**

Tushar Kumar is an investment professional with a particular focus on energy and climate assets. His prior roles include being a Partner in the Investment and Portfolio Management Team at Kerogen Capital where he was responsible for the management of many of Kerogen's European investments focusing on energy, energy technology and transition sectors, and other key relationships in Europe. He has almost 20 years' experience in investing, investment banking and equities, working with a range of companies across Europe, the Middle East and Asia.

He has experience in strategic advisory, particularly focused on M&A, IPOs, debt and equity financing as well as balance sheet restructuring. Prior to Kerogen, he was an executive director at Morgan Stanley's natural resources group in London, having previously worked with members of the Kerogen team at J.P. Morgan's energy and natural resources group in Hong Kong.

Tushar holds an MBA from the Indian Institute of Management Ahmedabad (IIMA) and a BTech in computer science and engineering from the Indian Institute of Technology (IIT). He is also a CFA charter holder.

Chris Hopkinson

Non-executive Director

Appointed 2022**Skills and experience**

Chris is currently Non-executive Chairman of Enwell Energy an AIM-quoted oil and gas exploration and production group and founder of Astra Resources Management advising utility scale PPP Solar projects.

Chris began his career with Shell International, followed by technical and management roles with Yukos and Lukoil Overseas, before becoming Chief Executive Officer of Imperial Energy Group up until its acquisition by ONGC in 2009. He was then Vice-President Western Siberia for TNK-BP, Senior Vice-President North Africa for BG Group, Chief Executive Officer of International Petroleum Limited, and Chief Operating Officer for JSC National Company KazMunayGas.

Chris holds a BSc Honours degree in Applied Physics from St Andrews University.

Kate Coppinger

Non-executive Director

Appointed 2022**Skills and experience**

Kate is currently Non-executive Director at Serica Energy plc, an AIM listed, independent UK natural gas producer.

Kate initially worked for CIBC World Markets as a research analyst before joining Harrison Lovegrove in 2000 where she moved into transaction execution. Following the acquisition of Harrison Lovegrove by Standard Chartered Bank in September 2007, Kate continued in oil and gas M&A transactions. In 2014, she was appointed Managing Director, Oil & Gas Corporate Finance, where she was responsible for origination and execution of transactions for European clients, a position she held until leaving Standard Chartered Bank in 2020.

Executive Committee

Stephen Bowler Chief Executive Officer

Skills and experience

Steve became Chief Executive Officer of the Company in May 2015 having joined IGas as Chief Financial Officer in 2011. He is a qualified chartered accountant and spent 12 years in corporate finance with ABN Amro Hoare Govett, now part of Jefferies, where he acted as adviser and broker to a wide range of UK listed companies in the oil and gas sector.

Since joining the Company, Steve has led the Company through significant transition including the farm-outs to Total and INEOS, the acquisition of GTE, IGas's geothermal business, as well as developing partnerships with low carbon energy fund managers.

Frances Ward Finance Director

Skills and experience

Frances is a qualified accountant with over 15 years' senior management experience within the international oil and gas sector.

Her previous experience includes 11 years at Nexen Energy (now part of CNOOC) in various senior finance roles in their London and Calgary offices.

Frances joined IGas in 2017 as Group Financial Controller and assumed overall responsibility for the finance function as Finance Director in July 2020.

Ross Pearson Technical Director

Skills and experience

Ross Pearson, a Petroleum Engineer, has extensive onshore, oil and gas experience gained over the past 20+ years working in various technical roles across the E & P value chain. Ross's career started in the Western Canadian Sedimentary Basin working for Schlumberger before taking a role with Devon Energy where he held various Petroleum Engineering positions.

In 2010, he moved to Australia where he initially worked for Origin Energy as a Sr. Petroleum Engineer prior to joining Senex Energy as the Development Manager where he managed the appraisal and development of their conventional and unconventional oil and gas assets.

Ross has a Bachelor of Applied Science Degree in Mining Engineering from Queen's University in Canada and is a member of the Society of Petroleum Engineers and a Fellow of the Energy Institute.

Chris Beard Production Director

Skills and experience

Chris (MEng BSc (Hons) CEng MIET) has over 30 years' experience working in the oil and gas industry in both the upstream and downstream business.

Chris started his career working in a Maintenance and Integrity role for BP at the Llandarcy Oil Refinery in South Wales. Over the next 25 years Chris worked in a number of roles and locations for BP, the last of which was at BP Wytch Farm Oilfield in Dorset, where he held a variety of technical, operational and managerial roles before finishing in the role of Onshore Site Manager.

Chris joined Providence Resources Plc as Managing Director of the UK operations before the acquisition of the Singleton field by IGas in 2013, where he now has responsibility for the delivery of the Production Division Corporate strategy, goals and targets for production, operating costs in accordance with the IGas Management Systems.

Ross Glover Development Director

Skills and experience

Appointed in 2017, Ross is responsible for both new business and project development. His current focus is leading the diversification of the Company into complementary sectors.

Prior to joining IGas, he ran a UK based renewable energy project development company with a focus on onshore wind. Ross started his career in Southern Africa managing capital projects in the mineral processing and mining sector. After moving to the UK in 2003, he worked for one of the UK's largest public sector leasing and managed equipment services companies where he was responsible for corporate acquisitions, disposals and structured finance.

Ross holds a BSc in Mechanical Engineering from the University of Cape Town and an MBA from Warwick Business School.

Peter Foscoe

Director of
Human Resources

Skills and experience

A Chartered Fellow of the CIPD, Peter has 30 years' experience managing Human Resource functions in the Financial Services, Telecoms and Oil & Gas sectors. In addition to 10 years at Merrill Lynch/Bank of America and 4 years as Head of Human Resources at an AIM listed hedge fund, Peter has specialised in compensation & benefits at a number of organisations, including 6 years as Head of Reward for the Hess Corporation global E&P business.

Thamala Perera Schuetze

General Counsel and
Company Secretary

Skills and experience

Thamala is a General Counsel with over 20 years' experience. Prior to the reverse takeover of Star Energy Group Limited (then a wholly-owned subsidiary of PETRONAS) by the Company in 2011, Thamala was a member of the management team and the General Counsel of Star Energy responsible for the European Infrastructure Group of PETRONAS, with a primary focus on gas storage.

Thamala was called to the Bar of England and Wales in 2000 and during her career has held (among others) positions at the regulator, Ofgem, where she advised on electricity, gas and LNG projects and at Freshfields Bruckhaus Deringer LLP in the telecoms sector.

Thamala holds a Master of Laws (LLM) in European Law from King's College London.

Ann-marie Wilkinson

Director of
Corporate Affairs

Skills and experience

Appointed in 2013, Ann-marie is a communications and investor relations professional with over 25 years' experience in providing advice on both external and internal communications strategies.

Ann-marie has advised many energy sector companies as a financial public relations and corporate relations consultant having previously worked at M Communications, Bell Pottinger and Beattie Media. She also worked as a PRO at Smith New Court having joined from the Corporate Finance department at Touche Ross.

Padraig Hanly

Director of Geothermal

Skills and experience

Padraig (BSc) founded GT Energy UK Ltd (GTE) in 2013 and was Managing Director until its acquisition by IGas in 2020. During that time, he raised capital from investors to fund the business while working with government and industry to create a deep geothermal industry in the UK. This included the introduction of a geothermal licencing system and dedicated financial support for deep geothermal. He has worked closely with Stoke-on-Trent Council helping them to secure a £20 million Government grant to develop the first of its kind geothermal heated district heating project in the UK.

Padraig has worked for 20 years in business development and project management across a number of sectors including civil engineering, agriculture, property and renewable energy. Prior to setting up GTE Padraig worked as contracts manager and business development manager with Liffey Developments, an Irish based company focusing on infrastructure and property developments.

Corporate Governance

The Directors are committed to meeting high standards of corporate governance believing that the QCA Code provides the Company with the right framework to maintain a strong level of governance.

The Company has adopted a code of dealings in securities which the Board regards as appropriate for an AIM listed company and is compliant with the UK Market Abuse Regulations. The Company takes all reasonable steps to ensure compliance by the Directors, employees and agents with the provisions of the AIM Rules relating to dealings in securities.

The Board has in place Audit, Remuneration and Nomination Committees, all of which have specific mandates contained in approved terms of reference. These cover the composition, key activities and responsibilities of the relevant committee, are reviewed annually, and can be viewed on our website. All committees are committed to reporting back to the Board following a committee meeting. The membership of each of the committees is set out below.

The Board and its Committees

Following Cuth McDowell's appointment as Interim Chairman of the Board, Cuth McDowell is no longer fulfilling the role of Senior Independent Director, but is still considered to be an independent Non-executive Director in character and judgement and has the range of experience and calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct to the Board. In 2022, following the appointment of Chris Hopkinson on 10 January and Kate Coppinger on 7 February, there are three independent Non-executive Directors on the Board. Biographies of all the Directors are included within the Annual Report on pages 28 and 29.

The Board retains full and effective control over the Group. The Board meets regularly to consider reports on the operational and financial performance of the Group and to decide on matters reserved unto itself, which include reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

Save in August, the Board generally has one scheduled Board meeting every month over the course of the financial year with informal discussions scheduled as required. Additional meetings are held depending upon opportunities or issues to be dealt with by the Company from time to time.

The Non-executive Directors hold informal meetings during the course of the year at which members of Excom are not in attendance.

The Directors' attendance at scheduled Board meetings during 2021 is detailed in the table below:

Board Membership

Board member	Meetings attended (out of a total possible)
Cuth McDowell (Interim Chairman)	23/23
Stephen Bowler	21/23
Philip Jackson	23/23
Tushar Kumar	23/23
Hans Årstad (Resigned 13 May 2021)	4/6

In addition to the Directors, the General Counsel and Company Secretary has been invited to attend each meeting of the Board. The Board invites other members of Excom to attend its meetings as necessary and appropriate to the agenda to be discussed at the relevant Board meeting.

The Board has the following committees each chaired by a Non-executive Director as follows:

Audit Committee

The Committee comprises only Non-executive Directors; in 2021 being chaired by Cuth McDowell and having as its other member, Tushar Kumar. Chris Hopkinson and Kate Coppinger became members of the Committee following their appointments on 10 January and 7 February 2022, respectively. Meetings are aligned with the Group's financial reporting calendar and, in the year ended 31 December 2021, the Committee met on three occasions. The Finance Director is invited to attend each meeting of the Committee and participated in all of the meetings during the year. The external auditors are also invited to attend meetings of the Committee as appropriate and also meet the Committee without the presence of management at least annually.

The Directors' attendance at scheduled Committee meetings during 2021 is detailed in the table below:

Audit Committee Membership

Committee member	Meetings attended (out of a total possible)
Cuth McDowell (Chairman)	3/3
Tushar Kumar	3/3

Summary of the Committee's Responsibilities

The Committee's responsibilities include the following:

- The Committee reviews reports from management and the Group's auditors relating to the Group's Annual Report and Accounts and the interim results announcements. The Committee advises the Board on whether the annual report and interim announcement are fair, balanced and understandable and provide the information necessary for IGas's stakeholders to assess performance against the Group's strategy;
- The Committee reviews compliance with legal requirements, accounting standards and the AIM Rules and is focused on ensuring that effective systems of internal financial and non-financial controls (including for the management of risk and whistle-blowing) are maintained. However, the ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board; and
- The Committee keeps under review the external auditors' independence and considers the nature, scope, and results of the auditor's work and develops a policy on and reviews (reserving the right to approve) any non-audit services that are provided by the external auditors. The Committee is responsible for making recommendations to the Board on their appointment and remuneration.

Key Areas of Focus in the Year Ended 31 December 2021

The Committee's particular areas of focus during the year were as follows:

- Review of the 2020 Annual Report and of the significant risks identified which included the going concern assessment, including covenant compliance, impairment of oil and gas properties, accounting for the GT Energy acquisition and the decommissioning provision;
- Review of the six months ended 30 June 2021 interim results announcement and of the significant risks which included the going concern assessment, including covenant compliance and impairment of oil and gas properties; and
- Review and approval of the 2021 audit plan and the approach being taken by the Group's auditors towards the 2021 audit.

Remuneration Committee

The Committee comprises only Non-executive Directors, in 2021 being chaired by Philip Jackson and having as its other member Cuth McDowell. Chris Hopkinson and Kate Coppinger became members of the Committee following their appointments on 10 January and 7 February 2022, respectively. The Committee met on six occasions in the year ended 31 December 2021.

From time to time other Non-executive Directors, the Chief Executive Officer and the Human Resources Director may be invited to attend part or all of the meetings.

In accordance with the Committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

The Directors' attendance at scheduled Committee meetings during 2021 is detailed in the table below:

Remuneration Committee Membership

Committee member	Meetings attended (out of a total possible)
Philip Jackson (Chairman)	6/6
Cuth McDowell	6/6

Summary of the Committee's Responsibilities

The Committee's responsibilities include the following:

- Making recommendations to the Board on the Company's policy on the remuneration of the Chairman, Executive Director(s) and such other senior executives as are delegated to the Committee to consider;
- Determining, within agreed terms of reference, the remainder of the remuneration packages for each of them, including pension rights, any compensation payments and the implementation of executive incentive schemes;
- Monitoring the level and structure of remuneration for senior management;
- Reviewing the design of share incentive plans for approval by the Board and determining the policy on annual awards to Executive Directors and senior executives; and
- Reviewing progress made against performance targets and agreeing incentive awards.

Corporate Governance

continued

Key Areas of Focus in the Year Ended 31 December 2021

The Committee's particular areas of focus during the year were as follows:

- Review of performance against the Group's key performance indicators in the year ended 31 December 2020 and confirming the decision, as communicated to staff during the 2020 redundancy exercise, that no pay-out be made against performance to preserve cash in the business. Consequently, no bonus payment was made to staff in February 2021;
- Review of long-term incentive plans and approving the issue of awards under the Executive Incentive Plan (EIP); and
- Consideration of the scope and need to award additional shares under alternatives to the EIP as Long-Term Retention/Incentivisation plan.

Nomination Committee

The Committee comprises only Non-executive Directors; in 2021 being chaired by Cuth McDowell and having as its other member, Philip Jackson. Chris Hopkinson became a member of the Committee following his appointment on 10 January 2022. The CEO of the Company is invited to attend meetings of the Committee when the Committee is discussing matters related to executive management and such other matters as the Committee chairman deems appropriate. The Committee meets as required during the year but at least to consider any Director's resignation.

The Directors' attendance at scheduled Committee meetings during 2021 is detailed in the table below:

Nomination Committee Membership

Committee member	Meetings attended (out of a total possible)
Cuth McDowell	1/1
Philip Jackson	1/1

Summary of the Committee's Responsibilities

The Committee's responsibilities include the following:

- Considering the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board;
- Making recommendations to the Board regarding membership of the Audit and Remuneration Committees; and
- Ensuring that plans are in place for orderly succession to the Board and senior management positions, so as to maintain an appropriate balance of skills and experience within the Group and the Board.

Key Areas of Focus in the Year Ended 31 December 2021

The principal activities of the Committee during the year were as follows:

- To review the composition of the Board and identify potential Non-executive appointments; and
- Continuing to ensure that appropriate succession plans are in place for Excom and senior management.

Internal Control

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures that include, inter alia, financial, operational, health & safety, compliance matters and risk management (as detailed in the Strategic Report) are reviewed on an ongoing basis.

The Group's internal control procedures include the following:

- Board approval for all significant projects, including corporate transactions and major capital projects;
- The Board receives and reviews regular reports covering both the technical progress of projects and the Group's financial affairs to facilitate its control;
- There is a comprehensive budgeting and planning system for all items of expenditure with an annual budget approved by the Board. Risk assessment and evaluation is an integral part of the annual planning cycle;
- The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of consolidated financial statements in accordance with IFRS; and
- The Audit Committee reviews draft annual and interim reports before recommending their publication to the Board. The Audit Committee discusses with the Finance Director and external auditors the significant accounting policies, estimates and judgements applied in preparing these reports.

The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Group, does not consider it necessary at the current time.

Anti-bribery and Corruption/Ethical Conduct

The Directors take the issue of bribery and corruption seriously. The Directors acknowledge the importance of ensuring that the Company, its employees and those third parties with which the business engages are operating within the requirements of the Bribery Act. The Company has a zero-tolerance approach to bribery and corruption and has adopted an anti-bribery policy to protect the Group, its employees and those third parties with which the Company engages. IGas has reviewed the policies and procedures to ensure compliance with the UK Bribery Act, Modern Slavery Act and Criminal Finances Act. The Company continues actively to promote good practice and compliance throughout the Group and has continued its rolling online programme of anti-bribery and corruption and anti-facilitation of tax evasion, as well as anti-slavery and human trafficking training for all relevant employees.

The Group's Modern Slavery Statement can be accessed here: <http://igasplc.com/media/40884/modern-slavery-statement.pdf>.

Relations with Shareholders

Communications with shareholders are considered important by the Directors. The primary contact with shareholders, investors and analysts is the CEO. Other senior management, however, regularly speak to investors and analysts during the year. Company circulars and press releases have also been issued throughout the year for the purpose of keeping investors informed about the Group's progress and in accordance with AIM regulations.

The Company also maintains a website www.igasplc.com that is regularly updated and contains a wide range of information about the Group.

See also the Company's disclosure in relation to Principle Ten in the corporate governance statement on the Company website.

Engaging with Stakeholders

The ways in which IGas solicits information from its stakeholder groups include, inter alia, public relations activities, regular formal contact via written communications, meetings, and conference calls. Informal contact is promoted through the use of social media where appropriate.

The Board seeks to understand the Company's stakeholders' needs, interests and expectations by ensuring open channels of communication at all times and permitting all parties to openly discuss any issues or concerns they may have with the Company.

The Company considers and acts on the information and feedback received by way of bilateral discussions or investor conference calls or RNS announcements when required.

Directors' Remuneration Report

This report explains our remuneration policy for Directors and sets out how decisions regarding Directors' pay for the period under review have been taken.

Directors' Remuneration Policy

Annual Statement

The Company's policy is to maintain levels of remuneration sufficient to attract, motivate and retain senior executives of the highest calibre who can deliver growth in shareholder value. Executive Director remuneration currently consists of basic salary, pensions, benefits, annual bonus (based on annually set targets), and long-term incentives (to reward long-term performance). The Company seeks to strike an appropriate balance between fixed and performance-related reward so that the total remuneration package is structured to align a significant proportion to the achievement of performance targets, reinforcing a clear link between pay and performance. The performance targets for staff, senior executives and the Executive Director are each aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between staff, senior executives, the Executive Director and shareholders.

Following a detailed review in 2017, the Remuneration Committee proposed a number of changes to the annual cash bonus scheme, which it believes better aligned the bonuses of the CEO and senior executives to the Company's KPIs and which, in the event of superior performance in any bonus period, introduce an element of staff retention through the use of stock awards with the Board agreeing that 50% of any bonus in excess of £30,000 be paid in the form of restricted stock and subject to a minimum holding period. Consequently, in the years that a bonus has been paid, the Executive Director has received his bonus in both cash and restricted stock.

Subsequent to the 2017 review, the Board again agreed the Remuneration Committee Proposal that awards of restricted stock under the Executive Incentive Plan (EIP), the mechanics of which were detailed in the 2016 Annual Report, would again require an absolute share price appreciation as a condition of vesting (either in part or in full). In approving the Remuneration Committee's recommendations, the Board stipulated that no part of the 2021 EIP awards (whether to the Executive Director or any other senior executive) will vest unless a minimum share price hurdle of an 8% increase in the share price (compounded over the three year period between the date of award and date of vesting) is met or exceeded. In order for 100% of the award to vest, the share price must appreciate by 20% each year over the 3 year period.

The Committee continues to encourage all employee share ownership under the Share Incentive Plan and to deliver other non-fixed elements of compensation through the use of both cash and restricted shares.

The Committee is currently undertaking a further review of the Company's remuneration policy, taking account of the Company's size, cashflow and operational complexity, to ensure it remains fit for purpose, continues to drive high levels of executive performance and remains both affordable and competitive in the market.

The elements of the reward package are detailed below:

Element of reward	Operation and performance conditions	Maximum opportunity
Base salary The purpose of the base salary is to: <ul style="list-style-type: none"> • help recruit and retain key individuals; • reflect the individual's skills, knowledge and abilities; and • ensure fair reward for "doing the job". 	The Committee reviews base salaries annually to ensure that Executive Director's pay remains competitively aligned with external market practices. In determining whether to increase levels the Committee will take the following into consideration: <ul style="list-style-type: none"> • the performance of the individual Director; • the individual Director's experience and responsibilities; • impact of any increase on the Group's fixed costs; and • pay and conditions throughout the Company. 	The Committee will retain the discretion to increase an individual's salary where there is a significant difference between current levels and a market competitive rate for similar positions in similar organisations (based on size, complexity and industry sector).
Other benefits including pension	The Company provides Executive Directors with a pension contribution of 12.5% of base salary, part or all of which may be waived in favour of a taxable cash payment (less offset for employers NI) if the pension contribution resulted in a breach of the annual or lifetime pension earnings cap. Other benefits in kind include medical insurance and income protection or lump sum payments in the event of extended sickness absence, disability and/or death in service.	
Annual Cash Bonus	Executive Directors and staff are eligible to participate in a discretionary bonus plan. The Committee will determine on an annual basis whether a proportion of the bonus payment (currently 50% of any award in excess of £30,000) will be paid in Company shares. Maximum bonus levels and the proportion payable for target performance are considered in the light of market bonus levels for similar roles among the industry sector. Bonuses paid in cash (and where applicable, shares) are not pensionable. In terms of bonus targets a balanced scorecard approach is operated which focuses on a mixture of strategic, operational, financial and non-financial metrics.	The percentage of maximum bonus entitlement received is based on the achievement of individually challenging targets supporting corporate objectives. The maximum potential bonus entitlement for Executive Directors under the plan is up to 100% of base salary.
Long-Term Incentive Plan (LTIP)	Under the LTIP adopted by the Board in 2011, participants can each be granted two types of award: an initial award and an annual award. Both types of award are in the form of a nil cost option. If the relevant conditions attaching to the awards are met at the end of a three year vesting period, then the participant has a further seven years in which to exercise the award. The primary purpose of the initial awards is to aid the recruitment of key executives. These awards vest at the end of a three-year performance period provided the Company's share price performance exceeds the Company's weighted average cost of capital of 10%. The LTIP also provides for annual awards to be granted which will vest at the end of a three-year period provided certain challenging corporate performance conditions have been met. The purpose of the annual award is to provide a competitive annual total remuneration package which retains and motivates the Executive Directors and other key executives.	The maximum individual limit for an initial award is 300% of salary. The maximum individual limit for an annual award in any financial year is 200% of salary (this limit was increased from 150% during the 2014/15 financial year). No awards have been made under this plan since November 2015.

Directors' Remuneration Report

continued

Element of reward	Operation and performance conditions	Maximum opportunity																																																
Executive Incentive Plan (EIP)	<p>Under the EIP adopted by the Board in March 2016, participants were granted a share award in the form of a nil-cost option, released at the end of a three year holding period provided that the Executive Director remains in employment and that the Remuneration Committee are satisfied that corporate performance has been satisfactory (with reference to share price). A multiplier will also apply to this share award to ensure that management are focused on the execution of the business strategy and the creation of long-term value for shareholders.</p> <p>For the first share award (March 2016) the multiplier was set as follows:</p> <table><tr><th>Share price target</th><th>Multiplier</th></tr><tr><td>£10.00</td><td>1.50 x shares awarded</td></tr><tr><td>£15.00</td><td>2.00 x shares awarded</td></tr></table> <p>For the subsequent three share awards (October 2017, March 2018 and March 2019) the multiplier was set as follows:</p> <table><tr><th>Share price target</th><th>Multiplier</th></tr><tr><td>< £1.13</td><td>0.00 x shares awarded</td></tr><tr><td>£1.13 – £1.25</td><td>0.25 x shares awarded</td></tr><tr><td>£1.26 – £1.39</td><td>0.50 x shares awarded</td></tr><tr><td>£1.40 – £1.54</td><td>0.75 x shares awarded</td></tr><tr><td>£1.55 – £1.74</td><td>1.00 x shares awarded</td></tr><tr><td>£1.75 – £1.96</td><td>1.50 x shares awarded</td></tr><tr><td>> £1.96</td><td>2.00 x shares awarded</td></tr></table> <p>For the March 2020 award the multiplier was set as follows:</p> <table><tr><th>Share price target</th><th>Multiplier</th></tr><tr><td>< £0.36</td><td>0.00 x shares awarded</td></tr><tr><td>£0.36 – £0.39</td><td>0.25 x shares awarded</td></tr><tr><td>£0.40 – £0.43</td><td>0.50 x shares awarded</td></tr><tr><td>£0.44 – £0.48</td><td>0.75 x shares awarded</td></tr><tr><td>£0.49 – £0.55</td><td>1.00 x shares awarded</td></tr><tr><td>£0.56 – £0.62</td><td>1.50 x shares awarded</td></tr><tr><td>> £0.63</td><td>2.00 x shares awarded</td></tr></table> <p>For the April 2021 award the multiplier was set as follows:</p> <table><tr><th>Share price target</th><th>Multiplier</th></tr><tr><td>< £0.35</td><td>0.000 x shares awarded</td></tr><tr><td>£0.35 – £0.39</td><td>0.333 x shares awarded</td></tr><tr><td>£0.40 – £0.49</td><td>0.666 x shares awarded</td></tr><tr><td>£0.50 +</td><td>1.000 x shares awarded</td></tr></table>	Share price target	Multiplier	£10.00	1.50 x shares awarded	£15.00	2.00 x shares awarded	Share price target	Multiplier	< £1.13	0.00 x shares awarded	£1.13 – £1.25	0.25 x shares awarded	£1.26 – £1.39	0.50 x shares awarded	£1.40 – £1.54	0.75 x shares awarded	£1.55 – £1.74	1.00 x shares awarded	£1.75 – £1.96	1.50 x shares awarded	> £1.96	2.00 x shares awarded	Share price target	Multiplier	< £0.36	0.00 x shares awarded	£0.36 – £0.39	0.25 x shares awarded	£0.40 – £0.43	0.50 x shares awarded	£0.44 – £0.48	0.75 x shares awarded	£0.49 – £0.55	1.00 x shares awarded	£0.56 – £0.62	1.50 x shares awarded	> £0.63	2.00 x shares awarded	Share price target	Multiplier	< £0.35	0.000 x shares awarded	£0.35 – £0.39	0.333 x shares awarded	£0.40 – £0.49	0.666 x shares awarded	£0.50 +	1.000 x shares awarded	<p>Annual award to the current Executive Director of no more than 100% of salary subject to two times multiplier (i.e. the maximum number of shares which could vest is equal to 200% of salary) for awards made between 2016 and 2020 and to a one times multiplier (i.e. the maximum number of shares which could vest is equal to 100% of salary) for the award made in 2021.</p>
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	<p>The Executive Director is required to build a shareholding over a five-year period of at least 150% of salary to further support the alignment of their interests with those of shareholders.</p> <p>The Executive Director has not exercised any EIP awards since the plan's inception.</p>																																																	

Element of reward	Operation and performance conditions	Maximum opportunity
Executive Director Retention Plan (EDRP)	Under the EDRP, participants are granted nil cost options which vest and become exercisable on the first anniversary of grant subject to the Directors' continued employment and to a one year holding period following the date of vesting.	The EDRP was adopted as an exceptional share arrangement and S Bowler was granted an award of options over 175,000 ordinary shares in July 2015. No subsequent awards have been made under this plan.
Share Investment Plan (SIP)	In 2013, the Company adopted an HMRC approved SIP for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to subscribe for up to £150 (or 10% of salary, if less) worth of IGas ordinary shares per month. Shares are acquired on a quarterly basis and the Company automatically matches the employee contribution, acquiring matching 'partnership' shares on a 1-to-1 basis. Subject to the Company achieving pre-defined quarterly production targets, the Company increases the partnership share matching element for that quarter to 2-to-1. In order to receive their allocation of Company partnership shares, employees must ordinarily remain employed by the Company for a period of 3 years from the date of grant of the matching award.	Employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of IGas ordinary shares per month from gross salary. The Company will match the shares purchased on a 1-to-1 basis and, subject to the Company having met pre-defined quarterly production targets, will increase the matching element for that quarter to 2-to-1.

Annual Report on Remuneration

Remit of the Remuneration Committee

The remit of the Committee is provided in the Corporate Governance section.

Share price movements during the year

The Group's share price as at 31 December 2021 was 13.43p per share. The highest price during the year was 28.80p per share and the lowest share price during the year was 12.85p per share.

Current arrangements in financial year (Audited)

Executive Director

The Executive Director is employed under a rolling contract with a notice periods of 12 months from the Company or executive.

Director's emoluments for the year was as follows:

	Year ended 31 December 2021						Year ended 31 December 2020					
	Salary £000	Payment in lieu of pension £000	Bonus (Cash) £000	Bonus (Shares) £000	Pensions £000	Total £000	Salary £000	Payment in lieu of pension £000	Bonus (Cash) £000	Bonus (Shares) £000	Pensions £000	Total £000
Executive Director												
S Bowler – CEO	364	37	113	83	3	600	373	39	–	–	7	419
Total – Executive Directors	364	37	113	83	3	600	373	39	–	–	7	419

On 9 April 2020 S Bowler was made a base award under the 2016 EIP scheme over 1,277,685 ordinary shares in the Company.

Directors' Remuneration Report

continued

As at 31 December 2021, the outstanding long-term incentives held by the Executive Director who served during the year are set out in the table below:

Executive Director Retention Plan

	Date of grant	At 1 January 2021	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2021	Earliest vesting date	Lapse date
S Bowler	13/07/2015	175,000	—	—	—	175,000	13/07/2016	13/07/2023

2016 Executive Incentive Plan

	Date of grant	At 1 January 2021	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2021	Earliest vesting date	Lapse date
S Bowler	30/03/2016	74,076	—	—	—	74,076	30/03/2019	30/03/2026
	16/10/2017	—	—	—	—	—	Failed to Vest	16/10/2020
	21/03/2018	396,667	—	—	396,667	—	Failed to Vest	21/03/2021
	28/03/2019	469,435	—	—	—	469,435	25/02/2022	25/02/2029
	09/04/2020	1,277,685	—	—	—	1,277,685	09/04/2023	09/04/2030
	07/04/2021	—	725,000	—	—	725,000	07/04/2024	07/04/2031
Changes during year		2,217,863	725,000	—	396,667	2,546,196		

2016 Management Retention Plan (Bonus Scheme Shares)

	Date of grant	At 1 January 2021	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2021	Earliest vesting date	Lapse date
S Bowler	21/03/2018	33,431	—	—	—	33,431	17/01/2019	21/03/2026
	28/03/2019	56,036	—	—	—	56,036	25/02/2020	28/03/2027
	09/04/2020	161,777	—	—	—	161,777	22/01/2021	22/01/2028
		251,244	—	—	—	251,244		

2016 Management Retention Plan (Salary Replacement Shares)

	Date of grant	At 1 January 2021	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2021	Earliest vesting date	Lapse date
S Bowler	24/07/2020	39,641	—	—	—	39,641	24/07/2020	24/07/2028
	25/08/2020	40,310	—	—	—	40,310	25/08/2020	25/08/2028
	25/09/2020	53,938	—	—	—	53,938	25/09/2020	25/09/2028
	23/10/2020	59,083	—	—	—	59,083	23/10/2020	23/10/2028
	25/11/2020	49,011	—	—	—	49,011	25/11/2020	25/11/2028
	21/12/2020	47,675	—	—	—	47,675	21/12/2020	21/12/2028
		289,658	—	—	—	289,658		

Non-executive Directors

The Non-executive Directors are employed under rolling contracts with notice periods of three months, under which they are not entitled to any pension, benefits or bonuses.

	Year ended 31 December 2021				Year ended 31 December 2020			
	Emoluments £000	Taxable benefits £000	Pensions £000	Total £000	Emoluments £000	Taxable benefits £000	Pensions £000	Total £000
Non Executive Directors								
C McDowell ¹	100	–	–	100	103*	–	–	103
P Jackson ²	55	–	–	55	55	–	–	55
T Kumar ²	45	–	–	45	52**	–	–	52
H Årstad ³	–	–	–	–	–	–	–	–
Total – Non-executive Directors	200	–	–	200	210	–	–	210

1 Appointed Interim Chairman with effect from 11 October 2019.

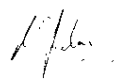
2 Under the terms of their appointments, IGas Energy plc paid an annual fee to Kerogen Capital for £55,000 in respect of P Jackson and £45,000 in respect of T Kumar. The Fee for P Jackson is payable at the instruction of Kerogen Capital to Pangaea Capital Partners Limited.

3 H Årstad resigned as a Director on 13 May 2021. Under the terms of his appointment no fee was paid to H Årstad.

* This includes the value of both salary received and the nil cost option awarded.

** This includes one Non-executive Director's Fee, that was paid with a replacement by the issue of shares on a quarterly basis, for the final two quarters of 2020 pursuant to the "Operations & Cost Savings Update" issued on 25 June 2020.

	Date of grant	At 1 January 2021	Share options granted	Share options exercised	Share options lapsed	As at 31 December 2021	Earliest vesting date	Lapse date
C McDowell	24/07/2020	10,887	–	–	–	10,887	24/07/2020	24/07/2028
	25/08/2020	11,070	–	–	–	11,070	25/08/2020	25/08/2028
	25/09/2020	14,813	–	–	–	14,813	25/09/2020	25/09/2028
	23/10/2020	16,226	–	–	–	16,226	23/10/2020	23/10/2028
	25/11/2020	13,460	–	–	–	13,460	25/11/2020	25/11/2028
	21/12/2020	13,093	–	–	–	13,093	21/12/2020	21/12/2028
		79,549	–	–	–	79,549		



Philip Jackson

Chairman Remuneration Committee

6 April 2022

Directors' Report

The Directors have pleasure in presenting their report together with the Group and Parent Company financial statements for the year ended 31 December 2021. The Corporate Governance Statement set out on pages 24 to 27 of this Annual Report forms part of this report.

Business review and future developments

A review of the business and the future developments of the Group are presented in the Chairman's Statement, the Chief Executive's Statement and the Financial Review, which are all sections within the Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend for the year (year ended 31 December 2020: Nil).

Principal activity

The Group's principal area of activity is exploring for, appraising, developing and producing oil and gas.

Share capital

Details of changes to share capital in the period are set out in note 24 to the consolidated financial statements.

Directors and their interests

The Directors who served during the year were as follows:

C McDowell	Interim Non-executive Chairman
S Bowler	Chief Executive Officer
P Jackson	Non-executive
T Kumar	Non-executive
H Årstad (resigned 13 May 2021)	Non-executive

The beneficial interest of each of the Directors' and their immediate families in the ordinary share capital of the Company are shown below:

	31 December 2021		31 December 2020	
	Ordinary 0.002p Shares		Ordinary 0.002p Shares	
	Number	%	Number	%
C McDowell	219,170	0.18	219,170	0.18
S Bowler	126,417	0.10	94,590	0.08
P Jackson	—	—	—	—
T Kumar	—	—	—	—
H Årstad (resigned 13 May 2021)	—	—	—	—

In addition, on 24 January 2022, S Bowler subscribed to his full entitlement under the Group's share scheme and accordingly was allotted 6,186 shares.

Annual General Meeting 2022

The AGM will be held at the offices at Pinsent Masons LLP, 30 Crown Place, Earl Street, London, EC2A 4ES on 15 June 2022, commencing at 10:30 a.m. The resolutions to be proposed at the AGM are set out and fully explained in the notice of AGM available on the Company's website at: <https://www.igasplc.com/investors/publications-and-reports>.

Rotation and re-election of Directors

In accordance with the Company's Articles of Association, P Jackson and T Kumar retire by rotation and C Hopkinson and K Coppinger, having been appointed after the date of the Company's 2021 annual general meeting (each in 2022) retire and they each offer themselves for re-election at the AGM on 15 June 2022.

Directors' insurance and indemnity provisions

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

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or officers of any Group company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006. The nature and extent of the indemnities is as described in Section 58 of the Company's Articles of Association as adopted on 5 June 2020 (and this remains unchanged from the position pursuant to the Company's previous articles of association, adopted on 8 August 2013). Therefore, these provisions remained in force throughout the period and remain in place at the date of this report.

Substantial shareholders

As at 6 April 2022, the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules of the following significant holdings in the Company's ordinary share capital:

	Number of Shares	%
Kerogen General Partner II Limited	34,214,615	27.2
J.O. Hambro	12,000,000	9.6
Royal London AM	10,155,760	8.1
Bank of America	9,554,894	7.6
HSBC	8,245,546	6.6

Financial instruments

The Group's principal financial instruments comprise cash balances, borrowings, derivative instruments and other debtors and creditors that arise through the normal course of business as set out in note 23 to the consolidated financial statements. The Group's financial risk management objectives are also set out in note 23 to the consolidated financial statements.

Employment policy

It is the policy of the Group to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success.

Political contributions

The Group made no political donations during the year (year ended 31 December 2020: £nil).

Status

The Company is not a close company as defined in the Income and Corporation Taxes Act 1988.

The Company is domiciled in the UK and incorporated and registered in England.

Board committees

Information on the Audit, Remuneration and Nomination Committees are included in the Corporate Governance Statement in this Annual Report.

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as independent auditors will be proposed at the AGM on 15 June 2022.

Directors' statement as to disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that a Director might reasonably be expected to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board



Thamala Perera Schuetze

General Counsel and Company Secretary

IGas Energy plc

Registered Office:

Welton Gathering Centre

Barfield Lane off Wragby Road

Sudbrooke

Lincoln

LN2 2QX

Registered in England (company number: 04981279)

6 April 2022

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

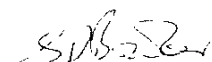
The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

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

On behalf of the Board,



Stephen Bowler
Chief Executive Officer
6 April 2022

Independent Auditors' Report to the members of IGas Energy plc

Report on the audit of the financial statements

Opinion

In our opinion, IGas Energy plc's Group financial statements and Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss and the Group's and Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2021 (the "Annual Report"), which comprise: the Consolidated and Parent Company Balance Sheets as at 31 December 2021; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Cash Flow Statements and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We scoped in all components for the purpose of the Group audit.
- This enabled us to obtain coverage of 100% of the Group's consolidated revenue, consolidated comprehensive loss for the year and consolidated total assets.

Key audit matters

- Carrying value of conventional oil & gas assets (Group)
- Carrying value of exploration and evaluation assets (Group)
- Carrying value of development costs (Group)
- Carrying value of the decommissioning provision (Group)
- Carrying value of Investments in subsidiaries and inter-company receivables (Parent Company)

Materiality

- Overall Group materiality: £1,200,000 (2020: £1,200,000) based on 0.7% of total assets.
- Overall Parent Company materiality: £390,000 (2020: £475,000) based on 1% of net assets.
- Performance materiality: £900,000 (2020: £900,000) (Group) and £292,500 (2020: £350,000) (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Independent Auditors' Report to the members of IGas Energy plc continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The carrying value of development costs is a new key audit matter this year. Consideration of the impact of COVID-19 (Group and Parent Company) and Acquisition accounting (Group and Parent Company), which were key audit matters last year, are no longer included because of changes to our risk assessment. We have no longer included a KAM on the Consideration of the impact of COVID-19 (Group and Parent Company) because of the relatively insignificant financial and operational impact of COVID-19 on the Group and Parent Company during the year under audit. The risk around Acquisition accounting (Group and Parent Company) was not applicable as there have been no acquisitions in the year under audit. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

How our audit addressed the key audit matter

Carrying value of conventional oil & gas assets (Group)

Refer to note 1 Accounting policies and note 10 Property, plant and equipment.

As at 31 December 2021, the carrying value of oil and gas assets totalled £73.2 million.

As disclosed in note 10, management assessed the oil and gas assets for impairment indicators and concluded that there were no impairment indicators as at 31 December 2021. Management also assessed for indicators to reverse impairments recorded in the prior years and concluded that there were no impairment reversal indicators and a reversal of prior year impairments would not be appropriate.

We focused on this area due to the material nature of the balance and the estimates and judgements involved in assessing for both impairment indicators as well as indicators of reversal of prior year impairments.

We performed the following procedures to test management's assessment for indicators of impairment/ impairment reversal:

- understood and evaluated management's processes in respect of the impairment trigger assessment process;
- assessed the appropriateness of management's identification of the Group's CGUs; and
- evaluated and challenged management's assessment and judgements in respect of impairment/ impairment reversal indicators.

As a result of our work, we are satisfied that management's impairment assessment of oil and gas assets is appropriate and that there are no indicators of impairment/ impairment reversal in respect of the carrying value of the oil and gas assets as at 31 December 2021.

Finally, we considered the adequacy of management's disclosure in relation to the impairment assessment in note 10 and concluded that these are in line with the requirements of IAS 36.

Carrying value of exploration and evaluation assets (Group)

Refer to note 1 Accounting policies and note 9 Intangible assets.

As at 31 December 2021, the carrying value of the Group's exploration and evaluation assets was £34.8 million.

As disclosed in note 9, in accordance with IFRS 6, management assessed the exploration and evaluation assets for impairment indicators. We focused on this area due to the material nature of the balance and the estimates and judgements involved in assessing for impairment indicators.

We have evaluated management's assessment which supports the carrying value of the exploration and evaluation assets.

This included confirming that for each licence that there was an on-going work programme and that the carrying amount of the licence was likely to be recovered in full from successful development.

We concur with management that licences with a carrying value of £10.5 million did not meet these criteria and, in line with IFRS 6, were written off in the year; and that the remaining carrying value is supportable.

Key audit matter

Carrying value of development costs (Group)

Refer to note 1 Accounting policies and note 9 Intangible assets.

As at 31 December 2021, the carrying value of the Group's development costs was £3.5 million. The development costs are intangible assets with an indefinite useful life within the scope of IAS 36 which should be tested for impairment at least annually or sooner when circumstances indicate that the carrying value may be impaired.

As disclosed in note 9, management reviewed the carrying value of development costs for impairment as at 31 December 2021 and performed a qualitative and quantitative assessment.

We focused on this area due to the material nature of the balance and the estimates and judgements involved in assessing for impairment.

Carrying value of the decommissioning provision (Group)

Refer to note 1 Accounting policies and note 19 Provisions.

As at 31 December 2021, the carrying value of the decommissioning provision was £66.0 million for the abandonment and site restoration of wells and sites.

The abandonment and decommissioning activities are expected to take place between 1 to 40 years from the year end.

We focused on this area as the determination of the decommissioning liability is inherently judgemental and includes estimates of future costs.

Carrying value of Investments in subsidiaries and inter-company receivables (Parent Company)

Refer to note 1 Accounting policies, note 2 Investments in subsidiaries and note 4 Trade and other receivables.

As at 31 December 2021, the carrying value of the Parent Company's Investments in subsidiaries was £182.0 million at 31 December 2021, comprising £32.3 million of Investments in subsidiaries and £149.7 million of loans to Group companies, and inter-company receivables of £22.9 million.

We focused on this area due to the material nature of the balance.

How our audit addressed the key audit matter

We have:

- evaluated management's qualitative assessment of the status of the project and its viability;
- verified the inputs used in management's quantitative assessment to determine the recoverable amount of the project based on discounted future cash flows; and
- audited management's model and the underlying assumptions used in the qualitative assessment, which we consider to be reasonable.

Considering the early stage of the project and the qualitative factors in favour of the project, we concur with management that there is no evidence of an impairment at the date of the balance sheet.

We also considered the adequacy of management's disclosures in relation to the impairment assessment in note 9. We concluded these were in line with the requirements of IAS 36.

We have:

- verified the completeness of the number of wells included in management's estimate;
- assessed management's cost per well estimate and evaluated the results of actual decommissioning costs;
- verified the work performed by management's experts on estimating the cost for decommissioning and challenged them on the estimates used;
- we also assessed the objectivity, independence and competency of management's experts;
- benchmarked the risk-free rate used by management compared with industry practice; and
- considered the adequacy of management's disclosures in note 19.

Based on the procedures performed we concur with management that their assessment of the decommissioning provision is reasonable and conclude that the disclosures in note 19 are adequate.

In evaluating management's impairment assessment of the Parent Company's Investments in subsidiaries and inter-company receivables, we have:

- evaluated management's assessment of the expected credit loss on the Parent Company's inter-company receivables performed in accordance with IFRS 9 'Financial Instruments';
- evaluated management's determination of whether any indicators of impairment existed by comparing the carrying value of Investments in subsidiaries to the market capitalisation of the Group at 31 December 2021 and agreed that an impairment assessment was necessary;
- obtained management's assessment which included comparing the net book value of each entity with the carrying value of the Parent Company's investments and inter-company receivables to determine if there is an impairment or a credit loss allowance;
- verified the mathematical accuracy of the calculations; and
- considered the adequacy of the disclosures made.

Based on the procedures performed we concur with management that, after impairment and credit loss allowance, the carrying value of Investments in subsidiaries is supportable.

Independent Auditors' Report to the members of IGas Energy plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured along two segments being 'operational', which includes the conventional and unconventional licences, and 'unallocated', which comprises mainly of corporate assets and head office expenses. For the purposes of financial reporting, the Group considers two reporting components – the Parent Company financial statements and the Group financial statements. These components comprise the Group's centralised functions and operating businesses within these segments. All of the Group's operating businesses are located in the UK. All the Group entities have central management and centralised processes and controls and therefore our audit work was all conducted solely in the UK.

We scoped in both reporting components for the purpose of the Group audit. This gave us 100% coverage over the Group's consolidated revenue, consolidated comprehensive loss for the year and consolidated total assets and gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Parent Company
Overall materiality	£1,200,000 (2020: £1,200,000).	£390,000 (2020: £475,000).
How we determined it	0.7% of total assets	1% of net assets
Rationale for benchmark applied	This benchmark reflects the Group's primary focus to continue to enlarge its assets through significant investment in its exploration and development assets.	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £900,000 (2020: £900,000) for the Group financial statements and £292,500 (2020: £350,000) for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £60,000 (Group audit) (2020: £60,000) and £19,500 (Parent Company audit) (2020: £23,750) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- checking the mathematical accuracy of management's cash flow forecast and confirming the opening cash position;
- challenging and evaluating management's underlying cash flow projections including comparing forecast sales volumes, operating costs, capital expenditure and abandonment expenditure to recent actuals and internal forecasts and comparing forecast future oil prices and foreign exchange rates to external data;
- assessing the reasonableness of management's downside case, including assessing management's ability to take mitigating actions, including delaying capital expenditure and reducing costs; and
- reviewing the completeness and appropriateness of management's going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Independent Auditors' Report

to the members of IGas Energy plc continued

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax regulations, employment laws and health and safety regulation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates (as outlined further in the "Key audit matters" section of this report); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or unusual words.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6 April 2022

Consolidated Income Statement

for the year ended 31 December 2021

	Note	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Revenue	2	37,916	21,578
Cost of sales:			
Depletion, depreciation and amortisation		(4,794)	(5,974)
Other costs of sales		(19,105)	(17,553)
		(23,899)	(23,527)
Gross profit/(loss)		14,017	(1,949)
Administrative expenses		(5,827)	(5,331)
Exploration and evaluation assets written-off	9	(10,463)	(67)
Oil and gas assets impairment	10	–	(38,535)
(Loss)/gain on derivative financial instruments	4	(6,715)	3,520
Gain on foreign exchange contracts	4	–	229
Operating loss	3	(8,988)	(42,133)
Finance income	6	2	1,472
Finance costs	6	(3,850)	(3,648)
Changes in fair value of contingent consideration	19	570	(180)
Other income		–	415
Loss from continuing activities before tax		(12,266)	(44,074)
Income tax credit	7	6,230	1,985
Loss after tax from continuing operations attributable to shareholders' equity		(6,036)	(42,089)
Loss after taxation from discontinued operations	16	(203)	(11,060)
Net loss for the year attributable to shareholders' equity		(6,239)	(53,149)
Loss attributable to equity shareholders from continuing operations:			
Basic loss per share	8	(4.82p)	(34.35p)
Diluted loss per share	8	(4.82p)	(34.35p)
Loss attributable to equity shareholders including discontinued operations:			
Basic loss per share	8	(4.98p)	(43.37p)
Diluted loss per share	8	(4.98p)	(43.37p)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

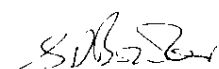
	Note	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Loss for the year		(6,239)	(53,149)
Other comprehensive income/(loss) for the year:			
Currency translation adjustments recycled to the income statement	16	326	10,781
Currency translation adjustments		–	(19)
Total other comprehensive income for the year		326	10,762
Total comprehensive loss for the year		(5,913)	(42,387)

The notes on pages 56 to 89 form an integral part of these financial statements.

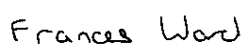
Consolidated Balance Sheet as at 31 December 2021

	Note	31 December 2021 £000	31 December 2020 £000
Assets			
Non-current assets			
Intangible assets	9	38,322	46,711
Property, plant and equipment	10	74,583	72,439
Right-of-use assets	12	7,017	7,658
Restricted cash	15	410	410
Deferred tax asset	7	38,176	31,945
		158,508	159,163
Current assets			
Inventories	13	1,092	1,023
Trade and other receivables	14	5,509	4,095
Cash and cash equivalents	15	3,289	2,438
Derivative financial instruments	23	–	314
		9,890	7,870
Total assets		168,398	167,033
Liabilities			
Current liabilities			
Trade and other payables	17	(6,863)	(5,247)
Derivative financial instruments	23	(1,410)	(1,271)
Lease liabilities	12	(815)	(694)
Provisions	19	(2,419)	(293)
		(11,507)	(7,505)
Non-current liabilities			
Borrowings	18	(14,836)	(13,695)
Other payables	17	(770)	(1,160)
Lease liabilities	12	(6,362)	(6,820)
Provisions	19	(66,307)	(64,550)
		(88,275)	(86,225)
Total liabilities		(99,782)	(93,730)
Net assets		68,616	73,303
Equity			
Capital and reserves			
Called up share capital	24	30,333	30,333
Share premium account	24	102,992	102,906
Foreign currency translation reserve		3,799	3,473
Other reserves	25	36,257	35,117
Accumulated deficit		(104,765)	(98,526)
Total equity		68,616	73,303

These financial statements were approved and authorised for issue by the Board on 6 April 2022 and are signed on its behalf by:



Stephen Bowler
Chief Executive Officer



Frances Ward
Finance Director

The notes on pages 56 to 89 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Called up share capital (note 24) £000	Share premium account (note 24) £000	Foreign currency translation reserve* £000	Other reserves** (note 25) £000	Accumulated deficit £000	Total equity £000
At 1 January 2020	30,333	102,680	(7,289)	32,781	(45,395)	113,110
Loss for the year	—	—	—	—	(53,149)	(53,149)
Share options issued under the employee share plan (note 25)	—	—	—	2,366	—	2,366
Issue of shares (note 24)	—	226	—	(30)	—	196
Disposal of shares held in EBT (note 25)	—	—	—	—	18	18
Currency translation adjustments	—	—	10,762	—	—	10,762
At 31 December 2020	30,333	102,906	3,473	35,117	(98,526)	73,303
Loss for the year	—	—	—	—	(6,239)	(6,239)
Share options issued under the employee share plan (note 25)	—	—	—	1,140	—	1,140
Issue of shares (note 24)	—	86	—	—	—	86
Currency translation adjustments	—	—	326	—	—	326
At 31 December 2021	30,333	102,992	3,799	36,257	(104,765)	68,616

* The foreign currency translation reserve represents exchange gains and losses on translation of previously held foreign currency subsidiaries' net assets and results, and on translation of those subsidiaries' intercompany balances, which formed part of the net investment of the Group. During the year ended 31 December 2021, we commenced the liquidation process for the remaining foreign currency subsidiaries and control over these entities has been transferred to the administrators (see note 16).

** Other reserves include: 1) EIP/MRP/LTIP/VCP/EDRP reserves which represent the cost of share options issued under the long-term incentive plans; 2) share investment plan reserve which represents the cost of the partnership and matching shares; 3) treasury shares reserve which represents the cost of shares in IGas Energy plc purchased in the market and previously held by the IGas Employee Benefit Trust (EBT) to satisfy awards held under the Group incentive plans (see note 25); 4) capital contribution reserve which arose following the acquisition of IGas Exploration UK Limited (see note 25); and 5) merger reserve which arose on the reverse acquisition of Island Gas Limited (see note 25).

The notes on pages 56 to 89 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Cash flows from operating activities:			
Loss from continuing activities before tax for the year		(12,266)	(44,074)
Depletion, depreciation and amortisation*	3	4,903	6,303
Abandonment costs/other provisions utilised		(356)	(1,348)
Share-based payment charge	5	878	1,025
Exploration and evaluation assets written-off	9	10,463	67
Oil and gas assets impairment	10	–	38,535
Change in unrealised loss on oil price derivatives	4	138	1,048
Change in unrealised loss/(gain) on foreign exchange contracts	4	315	(229)
Changes in fair value of contingent consideration	19	(570)	180
Other income		–	(415)
Finance income	6	(2)	(1,472)
Finance costs	6	3,850	3,648
Other non-cash adjustments		9	(10)
Operating cash flow before working capital movements		7,362	3,258
(Increase)/decrease in trade and other receivables and other financial assets		(1,637)	1,514
Increase/(decrease) in trade and other payables		1,699	(1,187)
(Increase)/decrease in inventories		(69)	170
Cash from continuing operating activities		7,355	3,755
Cash used in discontinued operating activities		(221)	(156)
Taxation paid – continuing operating activities		–	–
Net cash from operating activities		7,134	3,599
Cash flows from investing activities:			
Purchase of intangible exploration and evaluation assets		(734)	(2,314)
Purchase of property, plant and equipment		(3,905)	(6,152)
Purchase of intangible development assets		(167)	(67)
Cash acquired on acquisition of subsidiary		–	77
Other income received		–	4
Interest received		2	11
Net cash used in investing activities		(4,804)	(8,441)
Cash flows from financing activities:			
Cash proceeds from issue of ordinary share capital	24	40	56
Proceeds from disposal of shares held in EBT net of costs	25	–	4
Drawdown on Reserves Based Lending facility	15	1,432	5,544
Repayment on Reserves Based Lending facility	15	(756)	(4,645)
Repayment of principal portion of lease liability	12	(747)	(973)
Repayment of interest on lease liabilities	12	(684)	(795)
Interest paid	15	(812)	(940)
Net cash used in financing activities		(1,527)	(1,749)
Net increase/(decrease) in cash and cash equivalents in the year		803	(6,591)
Net foreign exchange difference		48	835
Cash and cash equivalents at the beginning of the year		2,438	8,194
Cash and cash equivalents at the end of the year	15	3,289	2,438

* Depletion, depreciation and amortisation includes £1.0 million (2020: £1.3 million) relating to right-of-use assets (note 12).

The notes on pages 56 to 89 form an integral part of these financial statements.

Consolidated Financial Statements – Notes for the year ended 31 December 2021

1 Accounting policies

(a) Basis of preparation of financial statements

The consolidated financial statements of IGas Energy plc and subsidiaries (the Group) have been prepared in accordance with UK-adopted international accounting standards. The financial statements were approved by the Board and authorised for issue on 6 April 2022. IGas Energy plc is a public limited company (limited by shares) incorporated and registered in England, United Kingdom, and listed on the Alternative Investment Market (AIM).

UK company law requires the change in basis of preparation from international accounting standards in conformity with the requirements of the Companies Act 2006 for the purposes of financial reporting as a result of the UK's exit from the European Union on 31 January 2020 and the cessation of the transitional financial year on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework, which is required to ground the use of IFRS in UK company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the financial year reported.

The Group financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting financial year. The Group financial statements are presented in UK pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

Subsidiary undertakings exemption from audit

For the year ending 31 December 2021, the subsidiaries listed below were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The exemption requires IGas Energy plc to guarantee the liabilities of these subsidiaries, which are as follows:

Star Energy Group Limited – 05054503
 Star Energy Limited – 03806814
 Star Energy Weald Basin Limited – 06293763
 IGas Energy Enterprise Limited – 05457589
 Island Gas Limited – 04962079
 Island Gas (Singleton) Limited – 01021095
 Dart Energy (Europe) Limited – SC259898
 Dart Energy (East England) Limited – 06760546
 IGas Energy Production Limited – SC298739
 Dart Energy (West England) Limited – 06760557
 IGas Energy Development Limited – 07240286
 GT Energy UK Limited – 08451346

New and amended IFRS standards that are effective for the current year

During the year, the Group adopted the following new and amended IFRSs for the first time for their reporting financial year commencing 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments IFRS 16	COVID-19-Related Rent Concessions

The adoption of the standards listed above did not have a material impact on the financial statements of the Group.

New and revised IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018–2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future financial years.

1 Accounting policies continued

(b) Going concern

The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are regularly produced based on, inter alia, the Group's production and expenditure forecasts, management's best estimate of future oil prices, management's best estimate of foreign exchange rates and the Group's available loan facility under the RBL. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, strengthening of sterling and reductions in forecast oil and gas production rates.

The Group's operating cash flows have improved in 2021 as a result of improving commodity prices and we have successfully completed the 2021 year-end redetermination. However, the ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its RBL, which is redetermined semi-annually based on various parameters (including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants. We also assumed that our existing RBL facility is amortised in line with its terms but is not refinanced or extended resulting a reduction in the facility to \$12 million from 1 July 2023. To mitigate these risks, the Group benefits from its hedging policy with 231,000 bbls currently hedged for Q2-Q4 2022 using swaps at an average price of \$74/bbl and 129,000 bbls using puts with an average price, net of premiums, of \$46/bbl. In addition, we have hedged 15,000 bbls for Q1 2023 using swaps at \$95/bbl.

Management has considered the impact of supply chain constraints on the Group's operations. We have seen some impact on production during 2021 due to supply chain constraints and the need for members of our staff to self-isolate and have developed a number of contingency plans to mitigate this. Many of our sites are remotely manned and we are well equipped as a business to ensure we maintain business continuity recognising that our production comes from a large number of wells in a variety of locations and we have flexibility in our off-take arrangements.

Crude oil prices rose during 2021 and into 2022 as increasing COVID-19 vaccination rates, loosening pandemic-related restrictions, and a growing economy resulted in global petroleum demand rising faster than petroleum supply. The Ukraine war and sanctions imposed on Russia have caused disruption to international trade and dislocations in energy markets, tightening oil and gas markets significantly and causing prices to rise further while increasing price volatility.

The Group's base case cash flow forecast was run with average oil prices of \$96/bbl for 2022 falling to an average of \$85/bbl in 2023 based on the forward curve. A foreign exchange rate of \$1.35/£1 was used. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility for the 12 months from the date of approval of the financial statements. Management has also prepared a downside case with average oil prices at \$90/bbl for H1 2022, \$76/bbl for H2 2022 and \$68/bbl for 2023 and an average exchange rate of \$1.37/£1.00 for 2022 and \$1.42/£1.00 for 2023. Our downside case also included an average reduction in production of 5% over the period. Management expects to execute further hedging during the course of the year, which will provide further protection in the downside case. Management would also take mitigating actions including delaying capital expenditure and additional reductions in costs in order to remain within the Group's debt liquidity covenants should such actions be necessary if prices were to decrease further. All such mitigating actions are within management's control. We have not assumed any extensions or refinancing to the RBL. In this downside scenario, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants for the 12 months from the date of approval of the financial statements.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

(c) Basis of consolidation

The consolidated financial statements present the results of IGas Energy plc and its subsidiaries as if they formed a single entity. The financial statements of subsidiaries used in the preparation of consolidated financial statements are based on consistent accounting policies to the parent. All intercompany transactions and balances between Group companies, including unrealised profits arising from them, are eliminated in full. Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, it is treated as an extension of the entity.

At 31 December 2021, the Group comprised the Company and entities controlled by IGas Energy plc (its subsidiaries). No new subsidiaries were acquired during the year but a number of subsidiaries were dissolved/struck off or liquidated, as disclosed in note 2 of the Parent Company financial statements.

Consolidated Financial Statements – Notes

for the year ended 31 December 2021 continued

1 Accounting policies continued

(d) Business combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement. Acquisition costs are expensed in the income statement.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depend on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is re-measured to fair value at subsequent reporting dates with changes in fair value recognised in the income statement.

(e) Joint arrangements

Certain of the Group's licence interests are held jointly with others under arrangements whereby unincorporated and jointly controlled ventures are used to explore, evaluate and ultimately develop and produce from its oil and gas interests. Accordingly, the Group accounts for its share of assets, liabilities, income and expenditure of these joint operations, classified in the appropriate balance sheet and income statement headings, except where its share of such amounts remains the responsibility of another party in accordance with the terms of carried interests as described at (i) below.

Where the Group enters into a farm-in agreement involving a licence in the exploration and evaluation phase, the Group records all costs that it incurs under the terms of the joint operating agreement as amended by the farm-in agreement as they are incurred.

Where the Group enters into a farm-out agreement involving a licence in the exploration and evaluation phase, the Group does not record any expenditure made by the farmee on its account. It also does not immediately recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

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

(f) Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements in conformity with IFRSs requires management to make judgements and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting financial year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, the Group has identified the following areas where significant judgements and estimates are required, and where if actual results were to differ, this could materially affect the financial position or financial results reported in a future financial year. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

Estimates:

Recoverable value of intangible assets

The Group has capitalised intangible exploration and evaluation assets in accordance with IFRS 6. Significant judgement is required in considering whether it is appropriate to continue to carry these costs on the balance sheet and whether the assets have been impaired. The key areas in which management has applied judgement and estimation include the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal or plans for relinquishment, the assessment of results from wells or geological or geophysical studies, the likely impact of political factors including planning permissions and the assessment of whether the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. Details of the Group's intangible exploration and evaluation assets are disclosed in note 9 to the financial statements.

The Group assesses intangible development costs at each reporting financial year end to determine whether there is any impairment. The assessment requires the use of estimates and assumptions such as long-term prices, discount rates, heat generation capacity and capital expenditure. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable value of intangible development costs. Details of the Group's capitalised development costs are disclosed in note 9 to the financial statements.

1 Accounting policies continued

(f) Significant accounting judgements and estimates continued

Estimates continued:

Recoverable value of property, plant and equipment

Management reviews the Group's property, plant and equipment at least annually for impairment indicators. The determination of recoverable amounts in any resulting impairment test requires judgement around key assumptions. Key assumptions in the impairment models include those related to GBP to US dollar foreign exchange rates, impact of climate change on cash flows and prices that are based on forward curves and long-term corporate assumptions thereafter, discount rates that are risked to reflect conditions specific to individual assets, future costs, both capital and operating that are based on management's estimates having regard to past experience and the known characteristics of the individual assets, reserves (discussed below) and future production. Details of the Group's property, plant, and equipment are disclosed in note 10 to the financial statements.

Proved and probable reserves and contingent resources

The volume of proved and probable oil and gas reserves is an estimate that affects the unit of production depletion of producing oil and gas assets as well as being a significant estimate affecting decommissioning provisions, impairment calculations and the valuation of oil and gas assets in business combinations. Contingent resources affect the valuation of exploration and evaluation assets acquired in business combinations and the estimation of the recoverable value of those assets in impairment tests. Proved and probable reserves and contingent resources are estimated using standard recognised evaluation techniques. Estimates are reviewed at least annually and are regularly estimated by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Deferred tax asset recognition

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Estimates of future taxable profits are based on cash flows expected to be generated from internal estimates of projected production and costs. Details of the Group's deferred tax assets, including those not recognised due to uncertainty regarding the future utilisation, are disclosed in note 7 to the financial statements.

Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed periodically and is based on forecast price levels and technology at the balance sheet date. Provision is made for the estimated cost at the balance sheet date, using a discounted cash flow methodology and a risk free rate of return. Details of the Group's decommissioning provisions are disclosed in note 19 to the financial statements.

Interest rate implicit in the lease

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

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

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

Judgements:

Functional currency

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

Consolidated Financial Statements – Notes

for the year ended 31 December 2021 continued

1 Accounting policies continued

(g) Revenue

Revenue comprises the invoiced value of goods and services supplied by the Group, net of value added tax and trade discounts. Revenue is recognised at a point in time when the control of the goods has passed onto the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. In the case of oil, gas and electricity sales, these are recognised when goods are delivered and title has passed to the customer. This generally occurs when the product is physically delivered to the customer's premises or transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of oil from fields in which the Group has an interest with other producers is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. Where oil produced by third parties is processed and delivered to a refinery by the Group, the measurement of the revenue depends upon whether physical title to the oil passes to the Group or whether the Group simply acts an agent for the producer.

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

(h) Non-current assets

Development costs

Acquired development costs are initially recorded at fair value on acquisition date. After initial recognition, capitalised development costs are recorded at cost less accumulated impairment losses, as applicable, and represent costs incurred for the design and development of deep geothermal heat projects.

Costs on development activities are capitalised if the project is technically and commercially feasible, the entity intends and has the technical ability and sufficient resources to complete development, future benefits are probable and if the entity can measure reliably the expenditure attributable to the intangible assets during its development. Expenditure capitalised includes direct labour, costs directly relating to the project such as geological studies and planning permits and appropriate proportion of overheads and capitalised borrowing costs. When it is no longer probable that a project will be carried out, the project's development costs incurred to that date are expensed. Other expenditure is recognised in the profit and loss account as incurred.

Development costs are tested for impairment at least annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each cash generating unit (the CGU) or group of CGUs to which the development costs relate. Recoverable amount is the higher of fair value less costs of disposal and value-in-use. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

1 Accounting policies continued

(h) Non-current assets continued

Intangible exploration and evaluation assets

The Group accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources as follows:

- Any costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the income statement;
- Expenditures recognised as exploration and evaluation assets comprise those related to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling (including coring and sampling), activities in relation to evaluating the technical feasibility and commercial viability of extracting hydrocarbons (including appraisal drilling and production tests) and any land rights acquired for the sole purpose of effecting these activities. These costs include employee costs, directly attributable overheads, materials and consumables, equipment costs and payments made to contractors;
- Tangible assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such tangible assets are consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the exploration and evaluation asset;
- Expenditures recognised as exploration and evaluation assets are initially accumulated and capitalised by reference to appropriate geographic areas. Expenditures recognised as exploration and evaluation assets are transferred to property, plant and equipment and classified as oil and gas assets when technical feasibility and commercial viability of extracting hydrocarbons is demonstrable; and
- Exploration and evaluation assets are assessed for impairment (on the basis described below), and any impairment loss recognised, before reclassification.

Impairment testing of exploration and evaluation assets

Expenditures recognised as exploration and evaluation assets are tested for impairment whenever facts and circumstances suggest that they may be impaired, which includes when a licence is approaching the end of its term and is not expected to be renewed, when there are no substantive plans for continued exploration or evaluation of an area, when the Group decides to abandon an area, or where development is likely to proceed in an area but there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale.

Property, plant and equipment – oil and gas assets

- Oil and gas assets and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses;
- The cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and, for qualifying assets where relevant, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The cost of oil and gas assets also includes an amount equal to the decommissioning cost estimate;
- Oil and gas assets are depleted either on a unit of production basis, commencing at the start of commercial production, or depreciated on a straight-line basis over the relevant asset's estimated useful life. Where expenditure is depreciated on a unit of production basis, the depletion charge is calculated according to the proportion that production bears to the recoverable reserves for each property; and
- Net proceeds from any disposal of development/producing assets are compared to the previously capitalised costs for the relevant asset or group of assets. A gain or loss on disposal of a development/producing asset is recognised in the income statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset or group of assets.

The Group's interests in oil and gas assets are assessed for indications of impairment including events or changes in circumstances which indicate that the carrying value of an asset may not be recoverable. Any impairment in value is charged to the income statement.

Impairment tests are carried out on the following basis:

- By comparing the sum of any amounts carried in the books as compared to the recoverable amount;
- The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The Group generally assesses the fair value less costs to sell using the estimated future cash flows which are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU; and
- Where there has been a charge for impairment in an earlier financial year that charge will be reversed in a later financial year where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value and the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior financial years.

Decommissioning

Where a liability for the removal of production facilities or site restoration exists, a provision for decommissioning is recognised. The amount recognised is discounted to its present value and is reflected in the Group's non-current liabilities. A corresponding asset is included in the appropriate category of the Group's non-current assets (intangible exploration and evaluation assets and property, plant and equipment), depending on the accounting treatment adopted for the underlying operations/asset leading to the decommissioning provision. The asset is assessed for impairment and depleted in accordance with the Group's policies as set out above.

Consolidated Financial Statements – Notes

for the year ended 31 December 2021 continued

1 Accounting policies continued

(h) Non-current assets continued

Carried interests

Where the Group has entered into carried interest agreements in exploration and evaluation projects and the Group's interest is being carried by a third party, no amounts are recorded in the financial statements where expenditure incurred under such agreements is not refundable. Where expenditure is refundable, out of what would but for the carry agreements have been the Group's share of production, the Group records amounts as non-current assets, with a corresponding offset in current liabilities or non-current liabilities, as appropriate, but only once it is apparent that it is more likely than not that future production will be adequate to result in a refund under the terms of any carry agreement; the Group records refunds only to the extent that they are expected to be repayable.

Other property, plant and equipment

Other property, plant and equipment is stated at cost to the Group less accumulated depreciation. Depreciation is provided on such assets, with the exception of freehold land, at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives at the following rates, with any impairment being accounted for as additional depreciation:

Equipment used for exploration and evaluation	– between six and twelve years on a straight-line basis
Freehold land	– indefinite useful life
Buildings/leasehold property improvements	– over five to ten years on a straight line basis/over the period of the lease
Fixtures, fittings and equipment	– between three and twenty years on a straight-line basis
Motor vehicles	– over four years on a straight-line basis

The Group does not capitalise amounts considered to be immaterial.

(i) Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with original maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

Other financial assets – Restricted cash

Restricted cash relates to bond guarantees issued to governments bodies in relation to decommissioning liabilities. Funds are only classified as cash and cash equivalents when monies are transferred to and under the control of the Group.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. Details about the Group's impairment policy and the calculation of loss allowance is provided in the Impairment of financial assets accounting policy below.

Trade and other payables

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

Derivative financial instruments and hedge accounting

The Group enters into derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and variability in the price realised on a proportion of its crude oil production. All derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each financial year end. Apart from those derivatives designated as qualifying cash flow hedging instruments, all changes in fair value are recorded as financial income or expense in the year in which they arise, otherwise they are recognised in other comprehensive income.

Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. It is determined by reference to quoted market prices, adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows. The fair value of derivative financial instruments has been calculated on a discounted cash flow basis by reference to forward market prices and risk free returns adjusted in the case of derivative financial liabilities by an appropriate credit spread.

Impairment of financial assets

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

1 Accounting policies continued

(i) Financial instruments continued

Assets carried at amortised cost

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

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

Expected credit loss

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

(j) Borrowings

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

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the financial years in which they are incurred.

Derecognition

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

(k) Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities

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

Right-of-use assets

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

Consolidated Financial Statements – Notes

for the year ended 31 December 2021 continued

1 Accounting policies continued

(k) Leases continued

Extension, renewal and termination options

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

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

Amounts recognised in cash flow statement

Lease payments represent repayment of principal and interest and are classified within financing cash flows in the cash flow statement.

(l) Inventories

Inventories, consisting of crude oil, and drilling and maintenance materials, are stated at the lower of cost and net realisable value. Costs comprise costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily inter-changeable items.

(m) Taxation

The tax charge/credit includes current and deferred tax.

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

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Temporary differences arise from differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are not discounted. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered and the carrying amount is reviewed at each reporting date. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the financial year when the asset is realised or the liability is settled, based on the tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the income statement are recognised in correlation to the underlying transaction, either in other comprehensive income or directly in equity.

(n) Share-based payments

Where share options are awarded to employees including Directors, the fair value of the options at the date of the grant is recorded in equity (share plan reserves) over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including market vesting conditions, are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured by the change from immediately before to after the modification, is also recorded in equity over the remaining vesting period.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised on the award is recognised immediately.

Where an equity settled award is identified as a replacement it will be treated as a modification to the original plan where the incremental fair value of the replacement award is expensed over the vesting period of the replacement award. The fair value of the original award on its grant date continues to be recognised over its original vesting period.

Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

Charges corresponding to the amounts recognised in equity are accounted for as a cost in the income statement unless the services rendered qualify for capitalisation as a non-current asset. Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition of intangible exploration and evaluation assets or property, plant and equipment.

1 Accounting policies continued

(n) Share-based payments continued

Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, the value of such shares at issue will be recorded in share capital and share premium account in the ordinary way, but will not affect shareholders' funds since this same value will be shown as a deduction from shareholders' funds by way of a separate component of equity (treasury shares reserve).

Amounts recognised in the share plan reserves and treasury share reserve are not subsequently reclassified within equity.

(o) Post-retirement benefits

A subsidiary within the Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the income statement represents the contributions paid/payable to the scheme in respect of the accounting financial year.

(p) Equity

Equity instruments issued by the Company are usually recorded at the proceeds received, net of direct issue costs, and allocated between called up share capital and share premium accounts as appropriate.

(q) Foreign currency

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

For the purposes of consolidation, the income statement items of those entities for which the UK pound sterling is not the functional currency are translated into UK pound sterling at the average rates of exchange during the financial year. The related balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of such operations, are reported in other comprehensive income and accumulated in equity.

The exchange differences arising on intercompany balances that form part of an entity's net investment in a foreign operation are recognised in other comprehensive income and accumulated in foreign currency translation reserve until the disposal of the foreign operation.

On disposal of entities with a different functional currency to the Company's functional currency, the deferred cumulative exchange differences recognised in equity relating to that particular operation would be recognised in the income statement.

(r) Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to dispose are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale being expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after taxation from discontinued operations in the income statement. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

(s) Government grants

Government grants are recognised in the income statement on a systematic basis over the financial years in which the Group recognises as expenses the related costs for which the grants are intended to compensate and are presented net against the related costs.

Consolidated Financial Statements – Notes

for the year ended 31 December 2021 continued

2 Revenue

The Group derives revenue solely within the United Kingdom from the transfer of goods and services to external customers, which is recognised at a point in time when the performance obligation has been satisfied by the transfer of goods. The Group's major product lines are:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Oil sales	33,254	20,546
Electricity sales	2,048	438
Gas sales	2,614	594
	37,916	21,578

Revenues of approximately £17.4 million and £15.9 million were derived from the Group's two largest customers (2020: £11.9 million and £8.7 million) and are attributed to the oil sales.

As at 31 December 2021, there are no contract assets or contract liabilities outstanding (2020: nil).

3 Operating loss

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Operating loss is stated after charging:		
Staff costs (note 5)	(10,876)	(11,555)
Depletion, depreciation and amortisation*	(4,903)	(6,303)
Remuneration payable to the Group's external auditors and network firms:		
Fees payable to the Group's external auditors and their associates for the audit of the consolidated financial statements:		
Audit of the consolidated financial statements	(254)	(240)
Audit of overseas subsidiaries	–	(32)
Fees payable to the Group's external auditors and their associates for other services:		
Audit-related assurance services	(45)	(45)
Other non-audit services	(57)	(26)

* Reconciliation of depletion, depreciation and amortisation is as follows:

Depletion, depreciation and amortisation

	Property, plant and equipment (note 10) £000	Right-of- use assets (note 12) £000	Year ended 31 December 2021 £000	Property, plant and equipment (note 10) £000	Right-of- use assets (note 12) £000	Year ended 31 December 2020 £000
Cost of sales	(3,832)	(962)	(4,794)	(4,990)	(984)	(5,974)
Administrative expenses	(21)	(88)	(109)	(36)	(293)	(329)
Total depletion, depreciation and amortisation	(3,853)	(1,050)	(4,903)	(5,026)	(1,277)	(6,303)

4 Derivative financial instruments

(Loss)/gain on oil price derivatives

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Realised (loss)/gain on oil price derivatives	(6,577)	4,568
Unrealised loss on oil price derivatives	(138)	(1,048)
	(6,715)	3,520

Gain on foreign exchange contracts

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Unrealised gain on foreign exchange contracts	–	229

5 Employee information

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Staff costs comprised:		
Wages and salaries	8,226	7,986
Social security costs	967	1,085
Other pension costs	523	652
Termination benefits	–	506
Employee share-based payment cost	1,160	1,326
	10,876	11,555

	Year ended 31 December 2021 No.	Year ended 31 December 2020 No.
Average monthly number of employees including Directors in the year:		
Operations, including services	109	108
Administrative	31	35
	140	143

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the audited section of the Directors' Remuneration Report, which forms part of these financial statements.

A proportion of the Group's staff costs shown above is capitalised as additions to intangible assets and property, plant and equipment in accordance with the Group's accounting policies. In addition, a proportion is recharged to joint venture partners as part of our time writing rate.

The Group received grants of £0.01 million (2020: £0.3 million) from the UK government as part of the Coronavirus Job Retention Scheme (furlough scheme). The income is recognised in the income statement against the related wages and salaries cost. There are no unfulfilled conditions or other contingencies attaching to this grant.

6 Finance income/(costs)

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Finance income:		
Interest on short-term deposits	2	11
Foreign exchange gains	–	1,461
Finance income	2	1,472
Finance expense:		
Interest on borrowings	(812)	(940)
Amortisation of finance fees on borrowings	(267)	(387)
Foreign exchange losses	(151)	–
Unwinding of discount on decommissioning provision (note 19)	(1,659)	(1,466)
Unwinding of discount on contingent consideration (note 19)	(277)	(60)
Finance charge on lease liability for assets in use (note 12)	(684)	(795)
Finance expense	(3,850)	(3,648)

Consolidated Financial Statements – Notes

for the year ended 31 December 2021 continued

7 Income tax credit

(i) Tax credit on loss from continuing ordinary activities

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Current tax:		
Charge on loss for the year	–	–
Total current tax charge	–	–
Deferred tax:		
(Credit)/charge relating to the origination or reversal of temporary differences	(6,360)	1,409
Credit due to tax rate changes	(393)	(99)
Debit/(credit) in relation to prior years	523	(3,295)
Total deferred tax credit	(6,230)	(1,985)
Tax credit on loss on ordinary activities	(6,230)	(1,985)

(ii) Factors affecting the tax charge

The majority of the Group's profits are generated by 'ring-fence' businesses which attract UK corporation tax and supplementary charges at a combined average rate of 40% (2020: 40%).

A reconciliation of the UK statutory corporation tax rate (applicable to oil and gas companies) applied to the Group's loss before tax to the Group's total tax credit is as follows:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Loss from continuing ordinary activities before tax	(12,266)	(44,074)
Expected tax credit based on loss from continuing ordinary activities multiplied by an average combined rate of corporation tax and supplementary charge in the UK of 40% (2020: 40%)	(4,906)	(17,630)
Deferred tax debit/(credit) in respect of the prior year	523	(3,295)
Tax effect of expenses not allowable for tax purposes	2,085	(740)
Tax effect of differences in amounts not allowable for supplementary charge purposes*	24	6
Impact of profits or losses taxed or relieved at different rates	(2)	461
Net increase/(decrease) in unrecognised losses carried forward	(6,911)	7,781
Net increase in unrecognised temporary taxable differences	3,422	11,533
Tax rate change	(393)	(99)
Other	(72)	(2)
Tax credit on loss on ordinary activities	(6,230)	(1,985)

* Amounts not allowable for supplementary charge purposes relate to net financing costs disallowed for supplementary charge offset by investment allowance, which is deductible against profits subject to supplementary charge.

(iii) Deferred tax

The movement on the deferred tax asset in the year is shown below:

	2021 £000	2020 £000
Asset at 1 January	31,945	29,961
Tax (charge)/credit relating to prior year	(523)	3,295
Tax credit/(charge) during the year	6,360	(1,409)
Tax charge arising due to the changes in tax rates	393	99
Other	1	(1)
Asset at 31 December	38,176	31,945

7 Income tax credit continued

(iii) Deferred tax continued

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

	31 December 2021 £000	31 December 2020 £000
Accelerated capital allowances	(9,041)	(7,791)
Tax losses carried forward	34,809	26,633
Investment allowance unutilised	1,837	1,542
Decommissioning provision	8,263	7,390
Unrealised gains or losses on derivative contracts	2,083	2,126
Share-based payments	162	2,090
Right-of-use asset and liability	63	(45)
Deferred tax asset	38,176	31,945

(iv) Tax losses

Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered based on a five-year profit forecast. Such tax losses include £168.6 million (2020: £130.0 million) of ring-fence corporation tax losses.

The Group has further tax losses and other similar attributes carried forward of approximately £189.7 million (2020: £215.4 million) for which no deferred tax asset is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits. The unrecognised losses may affect future tax charges should certain subsidiaries in the Group generate taxable trading profits in future financial years.

8 Earnings per share (EPS)

Continuing

Basic EPS amounts are based on the loss for the year after taxation from continuing operations attributable to ordinary equity holders of the parent of £6.0 million (2020: a loss after taxation from continuing operations attributable to shareholders' equity of £42.1 million) and the weighted average number of ordinary shares outstanding during the year of 125.3 million (2020: 122.5 million).

Diluted EPS amounts are based on the loss for the year after taxation from continuing operations attributable to the ordinary equity holders of the parent and the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive ordinary shares into ordinary shares, except where these are anti-dilutive.

As at 31 December 2021, there were 11.7 million potentially dilutive employee share options (31 December 2020: 10.9 million potentially dilutive share options) which were not included in the calculation of diluted earnings per share as their conversion to ordinary shares would have decreased the loss per share.

The following reflects the income and share data used in the basic and diluted earnings per share from continuing operations:

	Year ended 31 December 2021	Year ended 31 December 2020
Basic loss per share – ordinary shares of 0.002p each	(4.82p)	(34.35p)
Diluted loss per share – ordinary shares of 0.002p each	(4.82p)	(34.35p)
Loss for the year attributable to equity holders of the parent from continuing operations – £000	(6,036)	(42,089)
Weighted average number of ordinary shares in the year – basic EPS	125,269,135	122,537,605
Weighted average number of ordinary shares in the year – diluted EPS	125,269,135	122,537,605

Discontinued

The following reflects the income and share data used in the basic and diluted earnings per share including discontinued operations:

	Year ended 31 December 2021	Year ended 31 December 2020
Basic loss per share – ordinary shares of 0.002p each	(4.98p)	(43.37p)
Diluted loss per share – ordinary shares of 0.002p each	(4.98p)	(43.37p)
Loss for the year attributable to equity holders of the parent – £000	(6,239)	(53,149)
Weighted average number of ordinary shares in the year – basic EPS	125,269,135	122,537,605
Weighted average number of ordinary shares in the year – diluted EPS	125,269,135	122,537,605

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9 Intangible assets

	2021			2020		
	Exploration and evaluation assets £000	Development costs £000	Total £000	Exploration and evaluation assets £000	Development costs £000	Total £000
At 1 January	43,421	3,290	46,711	41,455	–	41,455
Acquisitions (note 21)	–	–	–	–	3,223	3,223
Additions	888	188	1,076	2,090	67	2,157
Changes in decommissioning*	998	–	998	(57)	–	(57)
Impairment	(10,463)	–	(10,463)	(67)	–	(67)
At 31 December	34,844	3,478	38,322	43,421	3,290	46,711

* The decommissioning asset increased in line with the decommissioning liability following a review of the estimate at 31 December 2021 (note 19).

Exploration and evaluation assets

Exploration costs impaired in the financial year to 31 December 2021 were £10.5 million (2020: £0.1 million) of which £10.0 million related to the PEDL 200 (Tinker Lane) licence and £0.5 million impairment of capitalised decommissioning assets relating to previously written off licences. PEDL 200, the licence in which the basin edge defining well Tinker Lane was drilled, and EXL 288 have been relinquished during the financial year. This allows the Group to focus on its core Gainsborough Trough shale acreage, defined as those licences in which a significant thickness of the Gainsborough shale is, or is predicted to be, present.

Further analysis by location of assets is as follows:

North West: The Group has £6.4 million (2020: £6.1 million) of capitalised exploration expenditure relating to Ellesmere Port where IGas has lodged an appeal against the decision made by Cheshire West and Chester Council's Planning and Licensing Committee to refuse planning consent for routine tests on a rock formation encountered in the Ellesmere Port-1 well. The appeal has been recovered by the Secretary of State and we are awaiting the outcome. As the outcome is still undetermined, it is appropriate to keep the carrying value of the asset capitalised.

East Midlands: The Group has £23.2 million (2020: £32.8 million) of capitalised exploration expenditure relating to our core area in the Gainsborough Trough which includes PEDLs 12, 139, 140, 169 and 210. The Gainsborough Trough is an area with significant shale potential. Following the moratorium on fracking, we continue to work with the NSTA, BEIS and No 10 Policy Unit to demonstrate that we can develop shale in this area in a safe manner. Our discussions have focused on the new science that would be brought forward on a sector wide and site-specific basis that would allow the moratorium to be lifted. We are doing this in conjunction with our joint venture partners and industry representatives and the work is ongoing. During the discussions, industry representatives reiterated their belief that lifting the moratorium would give the UK greater energy security by reducing the likelihood of supply concerns and reducing the carbon footprint of UK energy and, given increasing energy prices and the longer-term demand for gas, that the Government should consider shale a nationally strategic resource for development. As the industry discussions regarding the moratorium are still ongoing, the Directors believe that it is appropriate to continue to capitalise this asset.

Conventional assets: The Group has £5.2 million (2020: £4.5 million) of capitalised exploration expenditure which relates to our conventional assets including PEDL 235 and PL 240.

At 31 December 2021, the Group has a combined carried gross work programme of up to \$216.4 million (£159.7 million) (2020: \$218.0 million (£160.0 million)) from its partner, INEOS Upstream Limited. In 2021, £0.3 million (2020: £0.4 million) gross costs were carried, principally in relation to activities at Springs Road, which have not been included in the additions to intangible exploration and evaluation assets during the year.

Development costs

The development costs relate to assets acquired as part of the GT Energy acquisition in 2020 as explained in note 21. The costs relate to the design and development of deep geothermal heat projects in the United Kingdom, with the principal project being at Etruria Valley, Stoke-on-Trent.

The Group reviewed the carrying value of development costs as at 31 December 2021 and assessed it for impairment. The development of the Stoke-on-Trent project has taken longer than anticipated principally due to COVID-19 related delays. During 2021, we received planning approval for the Stoke-on-Trent project from both Stoke-on-Trent City Council and Newcastle-under-Lyme. In September, we signed a Memorandum of Understanding (MoU) with SSE Heat Networks Limited (SSE) for the roll-out of the Stoke geothermal district heating project. The MoU grants exclusivity to each of SSE and GTE with regard to the project for a period of 12 months with certain milestones including executing a heat off-take agreement in relation to the geothermal plant. SSE in turn have agreed a MoU with Stoke-on-Trent City Council to work together to deliver a heat network across the city. We are also in dialogue with the Government regarding grant funding to support the project.

Although the development of the project has been delayed, this does not materially impact the overall economics and, therefore, no impairment of development costs has been recognised for the year (2020: £nil). The principal assumptions are the unit price and discount rate. A 10% reduction in price would result in a decline of the recoverable amount by £3.8 million. An increase in the discount rate assumed of 1% (from 8.3% to 9.3%) would result in a decline of the recoverable amount by £5.1 million. There would be no impairment in either case.

10 Property, plant and equipment

	2021			2020		
	Oil and gas assets £000	Other property, plant and equipment £000	Total £000	Oil and gas assets £000	Other property, plant and equipment £000	Total £000
Cost						
At 1 January	209,225	2,951	212,176	197,875	3,660	201,535
Additions	3,700	–	3,700	5,212	1	5,213
Disposals/write-offs	–	(521)	(521)	(117)	(710)	(827)
Changes in decommissioning*	2,297	–	2,297	6,255	–	6,255
At 31 December	215,222	2,430	217,652	209,225	2,951	212,176
Accumulated depreciation and impairment						
At 1 January	138,233	1,504	139,737	94,940	2,063	97,003
Charge for the year	3,801	52	3,853	4,875	151	5,026
Disposals/write-offs	–	(521)	(521)	(117)	(710)	(827)
Impairment	–	–	–	38,535	–	38,535
At 31 December	142,034	1,035	143,069	138,233	1,504	139,737
NBV at 31 December	73,188	1,395	74,583	70,992	1,447	72,439

* The decommissioning asset increased in line with the decommissioning liability following a review of the estimate at 31 December 2021 (note 19).

Expenditure during the year related to the Welton and Scampton North waterflood projects and continued investment in our assets to drive operational improvements.

Impairment of oil and gas assets**Year ended 31 December 2021**

The Group reviewed the carrying value of oil and gas assets as at 31 December 2021 and assessed it for impairment indicators. The impact of the downward revision of the reserves estimate is offset by an improving economic outlook and a significantly improved oil price environment. On this basis, management concluded that there were no impairment indicators as at 31 December 2021. However, as at 31 December 2021, continued uncertainty exists regarding the future impact of the COVID-19 pandemic including the emergence of new variants which may have a negative impact on economic activity and therefore on the demand for oil. As a result, management concluded that there were no impairment reversal indicators as at 31 December 2021 and that a reversal of prior years' impairments was not appropriate.

Year ended 31 December 2020

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases worldwide. Measures taken by various governments to contain the virus affected global economic activity and resulted in a significant reduction in demand for oil and, therefore, in oil prices. The decline in oil prices in the first half of 2020 and the uncertainty surrounding the pandemic triggered an impairment review of oil and gas assets as at 30 June 2020. Although the oil price improved towards the end of the year, management identified impairment triggers due to the significant uncertainty as to how COVID-19 and its aftermath would impact economies, oil demand and oil price over the near and mid-term. Therefore, management carried out a further review of oil and gas assets for impairment as at 31 December 2020, which resulted in an additional impairment of £3.9 million.

Cash generating units (CGUs) for impairment purposes are the group of sites whereby technical, economic and/or contractual features create underlying interdependence in cash flows. The Group identified the three main producing CGUs as: North, South and Scotland. The impairment assessment for the North, South and Scotland was prepared on a fair value less costs of disposal basis using discounted future cash flows based on 2P reserve profiles. The future cash flows were estimated using the following key assumptions:

	31 December 2020
Oil price (Brent)	\$50-\$55/bbl for the years 2021-2022 and \$60/bbl thereafter
USD/GBP foreign exchange rate	\$1.37:£1.00 for 2021 and \$1.35:£1 thereafter
Post-tax discount rate	8.3%

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10 Property, plant and equipment continued

Impairment of oil and gas properties continued

Outcome of impairment reviews

The reduction in oil price in 2020 resulted in an impairment charge of £21.9 million in the North CGU, £11.9 million in the South CGU and £0.9 million in the Scotland CGU giving a total impairment charge of £34.6 million for the period to 30 June 2020. At 31 December 2020, although oil prices had improved, an additional £3.9 million impairment charge was recognised on the North CGU at 31 December 2020. This was primarily due to an increase in the decommissioning provision (note 19) and the weakening of the US dollar compared to British pound sterling in the second half of 2020, offset by an increase in 2P reserves based on the latest Competent Persons Report (CPR). This resulted in a total impairment of £38.5 million in the year.

11 Interest in joint arrangements

As at 31 December 2021, the Group has a combined carried gross work programme of up to \$216.4 million (£159.7 million) (2020: \$218.0 million (£160.0 million)) from its farm-in partner – INEOS Upstream Limited (INEOS) (see note 9). The Group's material joint operations as at 31 December 2021 are set out below:

Licences	Partner	IGas's interest	Operator
East Midlands			
PEDL 169	Egdon	80%	IGas
PEDL 210	INEOS	75%	IGas
PEDL 012	INEOS	55%	IGas
PEDL 278	Egdon	50%	IGas
PEDL 273	INEOS, Egdon	55%	IGas
PEDL 305	INEOS, Egdon	55%	IGas
PEDL 316	INEOS, Egdon	55%	IGas
PEDL 139	INEOS, Egdon, eCorp	32%	IGas
PEDL 140	INEOS, Egdon, eCorp	32%	IGas
North West			
PEDL 145	INEOS	40%	INEOS
PEDL 147	INEOS	25%	IGas
PEDL 184	INEOS	50%	IGas
PEDL 189	INEOS	25%	IGas
PEDL 190	INEOS	50%	IGas
PEDL 193	INEOS	40%	INEOS
PEDL 293	INEOS	30%	INEOS
PEDL 295	INEOS	30%	INEOS
EXL 273	INEOS	15%	INEOS
Weald			
PL 211	UKOG	90%	IGas
PEDL 070	UKOG, Egdon, Aurora, Corfe	54%	IGas

12 Right-of-use assets and lease liabilities

(a) Amounts recognised in the balance sheet

The Group has identified lease portfolios for property, land, cars and other equipment as follows:

	31 December 2021 £000	31 December 2020 £000
Right-of-use assets		
Land	6,872	7,451
Motor vehicles and other equipment	145	145
Property	—	62
	7,017	7,658

Additions to the right-of-use assets during the 2021 financial year were £0.4 million (2020: £1.3 million) and depreciation £1.1 million (2020: £1.3 million).

	31 December 2021 £000	31 December 2020 £000
Lease liabilities		
Current	(815)	(694)
Non-current	(6,362)	(6,820)
	(7,177)	(7,514)

Sensitivity of changes in assumptions

Management performed a sensitivity analysis to assess the impact of changes to the incremental borrowing rate on the Group's lease liability and right-of-use asset balances. A 3% decrease in the IBR would result in an increase in the right-of-use asset of £1.5 million and lease liability by £1.4 million (2020: increase in right-of-use asset of £1.5 million and lease liability by £2.0 million).

(b) Amounts recognised in the income statement

The income statement includes the following amounts relating to leases:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Depreciation charge of right-of-use assets		
Land	903	889
Motor vehicles and other equipment	85	121
Property	62	267
	1,050	1,277
Other		
Interest expense (note 6)	684	795
Expense relating to leases of low-value and short-term leases (included in cost of sales and administrative expense)	361	258

(c) Amounts recognised in the cash flow statement

The cash flow statement includes the following amounts relating to leases:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Repayment of interest on lease liabilities	684	795
Repayment of principal portion of lease liability	747	973
Total cash outflow	1,431	1,768

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13 Inventories

	31 December 2021 £000	31 December 2020 £000
Oil stock	580	439
Drilling and maintenance materials	512	584
	1,092	1,023

14 Trade and other receivables

	31 December 2021 £000	31 December 2020 £000
Trade debtors	3,945	2,221
Prepayments	1,045	924
Other debtors	293	439
VAT recoverable	226	511
	5,509	4,095

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally non-interest bearing and due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's consideration of credit risk are provided in note 23.

Due to the short-term nature of trade and other receivables, their carrying amount is considered to be the same as their fair value.

15 Cash and cash equivalents

	31 December 2021 £000	31 December 2020 £000
Cash at bank and in hand	3,289	2,438

The cash and cash equivalents do not include restricted cash.

Restricted cash

	31 December 2021 £000	31 December 2020 £000
Non-current	410	410

The restricted cash represents restoration deposits paid to Nottinghamshire County Council, which serve as collateral for the restoration of drilling sites at the end of their life. The restoration deposits are subject to regulatory and other restrictions and are therefore not available for general use of the Group.

15 Cash and cash equivalents continued

Net debt reconciliation

	31 December 2021 £000	31 December 2020 £000
Cash and cash equivalents	3,289	2,438
Borrowings – including capitalised fees	(14,836)	(13,695)
Net debt	(11,547)	(11,257)
Capitalised fees	(669)	(937)
Net debt excluding capitalised fees	(12,216)	(12,194)

	2021			2020		
	Cash and cash equivalents £000	Borrowings £000	Total £000	Cash and cash equivalents £000	Borrowings £000	Total £000
At 1 January	2,438	(13,695)	(11,257)	8,194	(13,071)	(4,877)
Interest paid on borrowings	(812)	–	(812)	(940)	–	(940)
Drawdown of RBL (note 18)	1,432	(1,432)	–	5,544	(5,544)	–
Repayment of RBL (note 18)	(756)	756	–	(4,645)	4,645	–
Foreign exchange adjustments	48	(198)	(150)	835	610	1,445
Other cash flows	939	–	939	(6,550)	–	(6,550)
Other non-cash movements	–	(267)	(267)	–	(335)	(335)
At 31 December	3,289	(14,836)	(11,547)	2,438	(13,695)	(11,257)

16 Discontinued operations

The divestment of assets acquired as part of the Dart Acquisition, namely the Rest of the World segment, was completed in 2016. The Group still has a presence in a small number of Australian and Singaporean registered operations and continues its plans to exit all legal jurisdictions in the near future. During the year ended 31 December 2021, we commenced the liquidation process for the remaining of these overseas dormant subsidiaries and control over these entities has been transferred to the administrators. The total loss after tax in respect of discontinued operations was £0.2 million primarily due to the recycling of the currency translation reserve on liquidation/strike off and administration costs (2020: loss after tax from discontinued operations of £11.1 million, primarily relating to the recycling of the currency translation reserve on liquidation/strike off).

Effect of liquidation/strike off on the financial statements:

	31 December 2021 £000	31 December 2020 £000
Other receivables	(11)	2
Cash and cash equivalents	(118)	(9)
Other payables	15	56
Net assets and liabilities disposed	(114)	49
Disposal consideration	–	–
Translation reserve re-classification to income statement on liquidation/strike off	(326)	(10,781)
Loss on liquidation/strike off charged to the income statement	(440)	(10,732)

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17 Trade and other payables

	31 December 2021 £000	31 December 2020 £000
Current		
Trade creditors	(1,117)	(1,351)
Employment taxes	(255)	(252)
Other creditors and accruals	(5,491)	(3,644)
	(6,863)	(5,247)
Non-current		
Amounts due to a related party	(371)	(371)
Other creditors and accruals	(399)	(789)
	(770)	(1,160)

Trade creditors are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of each of the Group's financial liabilities included within trade and other payables are considered to be a reasonable approximation of their fair value.

18 Borrowings

	31 December 2021 £000	31 December 2020 £000
<i>Reserves Based Lending facility (RBL) – secured (non-current)</i>	(14,836)	(13,695)

The carrying amounts of each of the Group's financial liabilities included within borrowings are considered to be a reasonable approximation of their fair value.

Reserves Based Lending facility

On 3 October 2019, the Company announced that it had signed a \$40.0 million RBL with BMO Capital Markets (BMO). In addition to the committed \$40.0 million RBL, a further \$20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments. The RBL has a five-year term, an interest rate of USD LIBOR plus 4.0%, matures in September 2024 and is secured on IGas Energy plc's assets. The Group is continuing preparation for transition to incorporate alternative risk-free rates and is monitoring the market and discussing the potential changes with its counterparties in order to effectively transition from USD LIBOR to alternative risk-free rates. Management does not expect any material impact on its financial position and performance resulting from this transition.

The RBL is subject to a semi-annual redetermination in May and November when the loan availability will be recalculated taking into account forecast commodity prices, remaining field reserves (assessed by an independent reserves auditor annually) and the latest forecast of operating and capital costs. As at 31 December 2021, the Group had successfully completed the November 2021 redetermination which confirmed an available facility limit of \$26.2 million (2020: \$31.7 million).

Under the terms of the RBL, the Group is subject to a financial covenant whereby, as at 30 June and 31 December each year, the ratio of Net Debt at the period end to Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional items (EBITDAX as defined in the RBL agreement) for the previous 12 months shall be less than or equal to 3.5:1. The Group complied with its covenants for the financial year ended 31 December 2021.

Collateral against borrowing

A Security Agreement was executed between BMO and IGas Energy plc and some of its subsidiaries, namely: Island Gas Limited, Island Gas Operations Limited, Star Energy Weald Basin Limited, Star Energy Group Limited, Star Energy Limited, Island Gas (Singleton) Limited, Dart Energy (East England) Limited, Dart Energy (West England) Limited, IGas Energy Development Limited, IGas Energy Enterprise Limited, Dart Energy (Europe) Limited and IGas Energy Production Limited.

Under the terms of this Agreement, BMO have a floating charge over all of the assets of these legal entities, other than property, assets, rights and revenue detailed in a fixed charge. The fixed charge encompasses the real property (freehold and/or leasehold property), the specific petroleum licences, all pipelines, plant, machinery, vehicles, fixtures, fittings, computers, office and other equipment, all related property rights, all bank accounts, shares and assigned agreements and rights including related property rights (hedging agreements, all assigned intergroup receivables and each required insurance and the insurance proceeds).

19 Provisions

	2021			2020		
	Decommissioning provisions £000	Contingent consideration £000	Total £000	Decommissioning provisions £000	Contingent consideration £000	Total £000
At 1 January	(61,819)	(3,024)	(64,843)	(55,101)	–	(55,101)
Acquisitions (note 21)	–	–	–	–	(2,784)	(2,784)
Utilisation of provision	778	–	778	946	–	946
Unwinding of discount (note 6)	(1,659)	(277)	(1,936)	(1,466)	(60)	(1,526)
Reassessment of decommissioning provision (note 9 and note 10)	(3,295)	–	(3,295)	(6,198)	–	(6,198)
Changes in fair value of contingent consideration	–	570	570	–	(180)	(180)
At 31 December	(65,995)	(2,731)	(68,726)	(61,819)	(3,024)	(64,843)

	2021			2020		
	Decommissioning provisions £000	Contingent consideration £000	Total £000	Decommissioning provisions £000	Contingent consideration £000	Total £000
Current	(2,139)	(280)	(2,419)	–	(293)	(293)
Non-current	(63,856)	(2,451)	(66,307)	(61,819)	(2,731)	(64,550)
At 31 December	(65,995)	(2,731)	(68,726)	(61,819)	(3,024)	(64,843)

Decommissioning provision

The Group spent £0.8 million on decommissioning activities during the year (2020: 0.9 million).

Provision has been made for the discounted future cost of abandoning wells and restoring sites to a condition acceptable to the relevant authorities. This is expected to take place between 1 to 40 years from year end (2020: 1 to 37 years). The provisions are based on the Group's internal estimate as at 31 December 2021. Assumptions are based on the current experience from decommissioning wells which management believes is a reasonable basis upon which to estimate the future liability. The estimates are based on a planned programme of abandonments but also include a provision to be spent in 2022-2025 on preparing for the abandonment campaign, abandoning wells and restoring sites which for regulatory, integrity or other reasons fall outside the planned campaign. The wells to be decommissioned in 2022 and 2023 are in line with management's discussions with the regulator. The estimates are reviewed regularly to take account of any material changes to the assumptions. Actual decommissioning costs will ultimately depend upon future costs for decommissioning which will reflect market conditions and regulations at that time. Furthermore, the timing of decommissioning is uncertain and is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend on factors such as future oil and gas prices, which are inherently uncertain.

A risk free rate range of 1.2% to 3.0% is used in the calculation of the provision as at 31 December 2021 (2020: Risk free rate range of 1.20% to 3.00%).

Sensitivity of changes in assumptions

Management performed sensitivity analysis to assess the impact of changes to the risk free rate on the Group's decommissioning provision balance. A 0.5% decrease in the risk free rate assumption would result in an increase in the decommissioning provision by £4.0 million.

Management also performed sensitivity analysis to assess the impact of changes to the undiscounted future cost of abandoning wells and restoring sites on the Group's decommissioning provision balance. A 10% increase in the undiscounted future cost would result in an increase in the decommissioning provision by £6.6 million.

Contingent consideration

The carrying value of contingent consideration relates to the GT Energy acquisition in 2020, as explained in note 21. The change in fair value is primarily related to the movement in fair value of IGas plc shares from the previous year end, as the consideration is payable in shares.

Sensitivity of changes in assumptions

The principal assumptions in calculating the fair value of contingent consideration is the probability assigned to milestone payments and the share price at valuation date. Management performed a sensitivity analysis to assess the impact of changes to the key assumptions. An increase in the probability of the scenario which would result in the maximum pay out by 5% would result in an increase in the contingent consideration provision by £0.3 million (2020: £0.3 million). An increase in the share price at valuation date by 10% would result in an increase in the contingent consideration provision by £0.2 million (2020: £0.2 million).

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20 Pension scheme

The Group operates a defined contribution pension scheme. Contributions made by the Group for the year ended 31 December 2021 were £0.52 million (2020: £0.65 million). Contributions amounting to £0.05 million were accrued at 31 December 2021 (2020: £0.05 million) and are included in trade and other payables.

21 Acquisitions

There have been no acquisitions in the year ending 31 December 2021.

In the year ended 31 December 2020, IGas acquired GT Energy UK Limited, details as follows:

Acquisition of GT Energy UK Limited

IGas entered into a sale and purchase agreement (SPA) to acquire GT Energy UK Limited (GT Energy), a developer of deep geothermal heat projects onshore UK on 16 September 2020. GT Energy's principal project is a 14MW deep geothermal project in the Etruria Valley, Stoke-on-Trent. The project is anticipated to supply zero carbon heat to the city of Stoke-on-Trent on a long-term 'take or pay' contract (TPA) with Stoke-on-Trent City Council (SoTCC). It is anticipated that the heat will be supplied through the SoTCC owned and operated district heating network, which is undergoing installation.

Under the terms of the SPA, IGas made an initial payment of £0.5 million (the Initial Purchase Price) to the Sellers satisfied in 2,222,223 IGas ordinary shares on completion by the transfer of 1,844,637 shares held by IGas (not as treasury shares, as defined under the AIM Rules) and allotment and issue of 377,586 shares based on an agreed share price of £0.225 per share. The Initial Purchase Price was subject to an immaterial post-completion adjustment following the preparation of completion accounts, and an adjustment will be made against any additional consideration payable upon satisfaction of future milestone events (Milestone Consideration) in accordance with the SPA.

The maximum consideration payable to the Sellers under the SPA is £12.0 million and the ordinary shares of IGas which may be issued under the SPA shall not exceed twenty-nine point nine per cent (≤29.9%) of the fully diluted issued ordinary share capital of IGas. In addition to the Initial Purchase Price, the Company may be required to pay the Milestone Consideration – see below. GT Energy has entered into a term sheet with Gravis Capital Management Limited (Gravis) which provides indicative and non-binding terms, on behalf of funds managed by Gravis, to fund a significant proportion of the c.£20 million project through a limited-recourse debt facility. Such provision of finance is conditional on, inter alia, signature of the TPA by SoTCC and GT Energy, agreement and execution of the financing documentation, the completion of Gravis' due diligence and internal Gravis and third-party approvals. GT Energy is currently engaged in advanced negotiations with SoTCC in respect of the TPA.

The Company may be required to pay Milestone Consideration upon:

- (i) financial close, within five years of the date of the SPA (the First Milestone Longstop), of a funding facility in respect of GT Energy's principal project (described above) on terms reasonably acceptable to the Company (the First Milestone);
- (ii) subject to completion of the First Milestone first delivery of heat to the district heat network under the TPA;
- (iii) subject to completion of the First Milestone, six months following (ii);
- (iv) subject to completion of the First Milestone the first anniversary of (ii);
- (v) the first of either (being the Business Development Milestone):
 - GT Energy securing a further geothermal project in the UK by successfully completing certain key targets relevant thereto (as set out in the SPA), within the earlier of (a) the fifth anniversary of the date of the SPA, and (b) the second anniversary of an announcement by the UK government of a new RHI Scheme, or in the reasonable opinion of the Company, equivalent scheme; or
 - One Thousand British Pounds (GBP £1,000) per full kW electrical generating capacity installed, capped at £1 million (for 1,000kW or more) subject to and measured on the date upon which, inter alia, validation of a planning application to allow electricity generation at the primary project location, and installation and successful commissioning of an electricity generation plant which utilises excess heat from the primary project, together with the ability to utilise such electricity to supply the Project's electricity requirements, and/or connect to a private wire or the national grid as the case may be.

The Milestone Consideration will be satisfied by the allotment of ordinary shares in IGas, as is derived by, for each Seller, dividing their proportion of the relevant Milestone Consideration by: (a) in respect of ordinary shares in IGas to be allotted in respect of the First Milestone: either (i) if the First Milestone is satisfied within thirty (30) months of the date of the SPA, the volume weighted average price of IGas's ordinary shares as derived from the AIM section of the London Stock Exchange Daily Official List (VWAP), on the one hundred and eighty (180) dealing days preceding the date of the SPA (First VWAP), or (ii) if the First Milestone is satisfied in the period falling on or after thirty (30) months from the date of the SPA and before the First Milestone Longstop, the VWAP on the thirty (30) dealing days preceding the date of the satisfaction of the First Milestone (Second VWAP); (b) in respect of ordinary shares in IGas to be allotted in respect of any other milestone (other than the Business Development Milestone), either the First VWAP or Second VWAP as was applicable, or would have been applicable to (as the case may be), to any ordinary shares in IGas to be allotted under the First Milestone; and (c) in respect of ordinary shares in IGas in respect of the Business Development Milestone, the VWAP on the ninety (90) dealing days preceding the date of satisfaction of the relevant Business Development Milestone, with, in each case, the resulting number being rounded down to the nearest whole share and subject to, inter alia, admission to trading on AIM of the relevant shares.

21 Acquisitions continued

Acquisition of GT Energy UK Limited continued

Details of the consideration (Initial Purchase Price and Milestone Consideration) and net assets acquired are as follows:

	31 December 2020 £000
Amount settled in cash	—
Fair value of Initial Purchase Price	500
Fair value of the Milestone Consideration	2,784
Fair value of the consideration transferred	3,284
Recognised amounts of identifiable assets and liabilities at fair value	
Property, plant and equipment	1
Intangible assets – development costs	3,223
Trade and trade receivables	18
Cash and cash equivalents	77
Trade and other payables	(35)
Net identifiable assets and liabilities	3,284

The fair value of the consideration relating to the Initial Purchase Price (£0.5 million) is based on 2,222,223 shares issued at an agreed share price of 22.5p under the SPA.

The £2.8 million fair value of the Milestone Consideration (contingent consideration liability) recognised on the acquisition date has been calculated by determining the probability-weighted value of the Milestone payments and the fair value of IGas shares issued to satisfy these payments. The calculation is based on an internal assessment of the probability of the milestones being achieved and of the inputs to the economic model which determines the level of the consideration for each milestone in accordance with the SPA. The probability weighted Milestone payments were discounted using a WACC of 8.3%. The resulting consideration amount was divided by the First VWAP (28.09p) to calculate the estimated number of shares to be issued as management have assumed that the First Milestone would be satisfied within 30 months of the date of the SPA. The estimated number of shares to be issued was then multiplied at a share price of 12.6p, being the IGas share price as at acquisition date (which is reflective of the estimated fair value of IGas shares), resulting in the estimated fair value of the Milestone Consideration of £2.8 million. The estimated fair value of the Milestone Consideration will be reviewed at each year end and any changes recognised in the income statement.

Acquisition related costs amounting to £0.2 million have been recognised as an expense in the consolidated income statement, as part of administrative expenses.

22 Commitments

Capital commitments

The Group's capital commitments relate to expenditure committed but not spent on conventional and unconventional licences as follow:

	31 December 2021 £000	31 December 2020 £000
Conventional capex	310	63
Unconventional capex	6	6
Total capital commitments	316	69

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for the year ended 31 December 2021 continued

23 Financial instruments and risk management

Fair value hierarchy

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

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

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

Financial assets and liabilities measured at fair value

	Level	31 December 2021 £000	31 December 2020 £000
Financial assets:			
Derivative financial instruments – foreign exchange contracts	2	–	314
		–	314
Financial liabilities:			
Derivative financial instruments – oil hedges	2	(1,410)	(1,271)
Contingent consideration (note 19)	3	(2,731)	(3,024)
		(4,141)	(4,295)

Fair value of derivative financial instruments

Commodity price hedges

The fair values of the commodity price hedges were provided by counterparties with whom the trades have been entered into. These consist of Asian style put and call options and swaps to sell/buy oil. The hedges are valued using a Black-Scholes methodology; however, certain adjustments are made to the spot-price volatility of oil prices due to the nature of the contracts. These adjustments are made either through Monte Carlo simulations or through statistical formulae. The inputs to these valuations include the price of oil, its volatility, and risk free interest rates.

23 Financial instruments and risk management continued

Fair value of derivative financial instruments continued

Foreign exchange contracts

The fair value of foreign exchange contracts was provided by counterparties with whom the trades have been entered into.

During the year, the Group entered into certain collars and swaps in order to manage its exposure to commodity price risk associated with sales of oil. The outstanding oil hedge contracts as at 31 December 2021 were as follows:

Type	Strike Price/ Fixed and Floating Price	2022 Q1	2022 Q2	2022 Q3	2022 Q4	Total	Fair value at 31 December 2021
		Contract Amount bbls oil	Contract Amount bbls oil	Contract Amount bbls oil	Contract Amount bbls oil	Contract Amount bbls oil	£000
US dollar Asian Put	50.00	–	54,000	–	–	54,000	(74)
US dollar Asian Put	43.25	–	–	30,000	–	30,000	(41)
US dollar Asian Put	47.00	–	–	30,000	–	30,000	(30)
US dollar fixed price Swap	60.00	30,000	–	–	–	30,000	(377)
US dollar fixed price Swap	60.00	30,000	–	–	–	30,000	(377)
US dollar fixed price Swap	65.25	30,000	–	–	–	30,000	(261)
US dollar fixed price Swap	65.25	–	18,000	–	–	18,000	(141)
US dollar fixed price Swap	69.00	–	18,000	–	–	18,000	(91)
US dollar fixed price Swap	70.00	–	–	30,000	–	30,000	(96)
US dollar fixed price Swap	78.10	15,000	15,000	–	–	30,000	37
US dollar fixed price Swap	74.85	–	–	–	30,000	30,000	43
		105,000	105,000	90,000	30,000	330,000	(1,410)
Other							–
Derivative Liability							(1,410)

The above derivatives mature over the financial year from 1 January 2022 until 31 December 2022. A loss of £6.6 million was realised on hedges during the year to 31 December 2021 (see note 4).

The outstanding oil hedge contracts as at 31 December 2020 were as follows:

Type	Fixed Price	Contract price Buy Put	Contract price Sell Call	2021 Q1	2021 Q2	2021 Q3	2021 Q4	Total	Fair value at 31 December 2020
				Contract Amount bbls oil	Contract Amount bbls oil	Contract Amount bbls oil	Contract Amount bbls oil	Contract Amount bbls oil	£000
US dollar Asian 3-way collar	–	40	48	15,000	15,000	15,000	15,000	60,000	(212)
US dollar Asian 3-way collar	–	44	50	–	–	15,000	15,000	30,000	(61)
US dollar Asian 3-way collar	–	45	53.15	–	–	38,400	38,400	76,800	(47)
US dollar fixed price Swap	40.05	–	–	5,400	5,400	–	–	10,800	(88)
US dollar fixed price Swap	44.35	–	–	24,000	24,000	24,000	–	72,000	(348)
US dollar fixed price Swap	44.65	–	–	15,000	15,000	15,000	15,000	60,000	(269)
US dollar fixed price Swap	46	–	–	30,000	30,000	–	–	60,000	(225)
				89,400	89,400	107,400	83,400	369,600	(1,250)
Other									(21)
Derivative Liability									(1,271)

The above derivatives matured over the financial year from 1 January 2021 until 31 December 2021. A gain of £4.6 million was realised on hedges during the year to 31 December 2020 (see note 4).

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for the year ended 31 December 2021 continued

23 Financial instruments and risk management continued

Fair value of financial assets and financial liabilities

The carrying values of the financial assets and financial liabilities are considered to be materially equivalent to their fair values.

Financial risk management

The Group's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations, including the Group's capital expenditure programme. The Group has trade and other receivables, cash and cash equivalents and restricted cash that are derived directly from its operations and restricted cash. The Group also enters into derivative transactions to manage its commodity price exposure.

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the Group's financial targets while protecting future financial security. The Group is exposed to the following risks:

- Interest rate risk
- Market risk, including commodity price and foreign currency risks
- Credit risk
- Liquidity risk

Management reviews and agrees policies for managing each of these risks, which are summarised below. The Group's policy is that all transactions involving derivatives must be directly related to the underlying business of the Group and it does not use derivative financial instruments for speculative purposes.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the RBL with BMO (see note 18 for further details).

The following table summarises the impact on profit before tax for changes in interest rates on the fair value of the drawn RBL balance.

The analysis is based on the assumption that USD LIBOR moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in profit before tax for the year ended and to equity as at	
	31 December 2021	31 December 2020 (restated)
	£000	£000
50 basis point increase in USD LIBOR	(74)	(68)
50 basis point decrease in USD LIBOR	74	68

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market factors, such as commodity prices and foreign currency exchange rates.

The sensitivity analyses below have been prepared on the basis that the amount of net debt and the proportion of financial instruments in foreign currencies are all constant and that financial derivatives are held to maturity. The sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

The following assumptions have been made in preparing the sensitivity analyses:

- The sensitivity of the relevant loss before tax item is the effect of the assumed changes in market risks. This is based on the financial assets and financial liabilities held at 31 December 2021 and 31 December 2020; and
- The impact on equity is the same as the impact on loss before tax and ignores the effects of deferred tax, if any.

23 Financial instruments and risk management continued

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices (primarily crude oil) on the oil and gas it produces. The Group's policy is to manage these risks through the use of derivative financial instruments.

The following table summarises the impact on loss before tax for changes in commodity prices on the fair value of derivative financial instruments. The impact on equity is the same as the impact on profit before tax as these derivative financial instruments have not been designated as hedges and are classified as held-for-trading.

The analysis is based on derivative contracts existing at the balance sheet date, the assumption that crude oil price moves 10% over all future financial years, with all other variables held constant. Management believe that 10% is a reasonable sensitivity based on forward forecasts of estimated oil price volatility.

	Increase/(decrease) in profit before tax and equity	
	31 December 2021	31 December 2020
	£000	£000
10% increase in the price of oil	(1,241)	(1,283)
10% decrease in the price of oil	1,254	1,232

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales, purchases or financing in currencies other than the UK pound sterling, the functional currency of all Group companies. The Group's sales are denominated in US dollars, and approximately 5% of costs are denominated in currencies other than the functional currency of the Group, primarily US dollars. The Group borrowings are also denominated in US dollars. The Group's exposure to other currencies is not considered to be material.

The following table summarises the impact on loss before tax for changes in the pound sterling/US dollar exchange rate on the financial assets and liabilities in the balance sheet at year end, principally relating to the Group's borrowings which are denominated in US dollars. The impact on equity is the same as the impact on loss before tax.

The analysis is based on the assumption that the pound moves 10%, with all other variables held constant.

	Increase/(decrease) in profit before tax and equity	
	31 December 2021	31 December 2020
	£000	£000
10% strengthening of the pound against the US dollar	1,482	1,286
10% weakening of the pound against the US dollar	(1,482)	(1,286)

Credit risk

The Group has a credit policy to assess and manage the credit risk of counterparties before entering contracts, including credit checks through external credit agencies, the establishment of credit limits, a requirement for security, payment terms and specific transaction approvals. The primary credit exposures of the Group are its receivables from crude oil, electricity and gas sales, amounts due from joint venture partners and exposure with respect to derivative contracts. These exposures are managed at the corporate level. The Group has two main customers and only trades with established counterparties who have been approved in accordance with the Group's credit policy.

At 31 December 2021, two customers (2020: two) accounted for approximately 76% (2020: 94%) of total trade receivables outstanding of £3.9 million (2020: £2.2 million).

With respect to credit risk arising from the other financial assets of the Group, which comprise cash, cash equivalents and derivative contracts, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent other than if the UK government is a majority shareholder. At 31 December 2021, the maximum exposure was £3.3 million (2020: £2.8 million).

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for the year ended 31 December 2021 continued

23 Financial instruments and risk management continued

Liquidity risk

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

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand £000	< 1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
At 31 December 2021						
Borrowings	–	–	(6,645)	(8,860)	–	(15,505)
Lease liabilities	–	(1,586)	(1,404)	(1,190)	(10,853)	(15,033)
Trade creditors	–	(1,117)	–	–	–	(1,117)
	–	(2,703)	(8,049)	(10,050)	(10,853)	(31,655)
At 31 December 2020						
Borrowings	–	–	–	(3,424)	(10,271)	(13,695)
Lease liabilities	–	(1,655)	(1,529)	(1,359)	(11,433)	(15,976)
Trade creditors	–	(1,351)	–	–	–	(1,351)
	–	(3,006)	(1,529)	(4,783)	(21,704)	(31,022)

Management considers that the Group has adequate current assets and forecast cash from operations to manage liquidity risks arising from current and non-current liabilities.

Capital management

The Group manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Group's funding requirements are met through a combination of debt and equity and adjustments are made in light of changes in economic conditions. The Group's strategy is to maintain ratios in line with covenants associated with its secured RBL (see note 18).

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group includes interest-bearing loans less cash, cash equivalents and restricted cash in net debt. Capital includes share capital, share premium, other reserves and accumulated profits/losses.

The Group signed a \$40.0 million RBL with BMO on 3 October 2019. In addition to the committed \$40.0 million RBL, a further \$20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments (see note 18). Management believe that the RBL financing structure will be sustainable in the current oil price environment and, together with a carried work programme of up to \$216 million, means that the Group is well positioned to pursue its strategy.

24 Share capital and share premium

On 3 April 2017, the shareholders approved the subdivision of each of the 303,305,534 ordinary shares of 10p each of the Company into one new ordinary share of 0.0001p each and one deferred share of 9.9999p each. At the Annual General Meeting of the Company on 14 June 2017, the shareholders approved a consolidation and subdivision of the Company's share capital in order to reduce the number of shares in issue to that more appropriate for the size of the Company. Following the consolidation, every 200 ordinary shares of 0.0001p each were consolidated into one new ordinary share of 0.02p each and immediately sub-divided into 10 ordinary shares of 0.002p. The consolidation and subdivision reduced the number of shares in issue from 2.4 billion to 121 million.

	Ordinary shares*		Deferred shares**		Share capital	Share premium
	No.	Nominal value £000	No.	Nominal value £000	Nominal value £000	Value £000
Issued and fully paid						
At 1 January 2020	122,360,175	2	303,305,534	30,331	30,333	102,680
2020 SIP share issue – partnership	288,363	–	–	–	–	56
2020 SIP share issue – matching	285,362	–	–	–	–	56
Shares issued in respect of salary sacrifice scheme	1,235,168	–	–	–	–	–
Shares issued for acquisitions (note 21)	377,586	–	–	–	–	84
Shares issued in lieu of Directors' fees	250,515	–	–	–	–	30
At 31 December 2020	124,797,169	2	303,305,534	30,331	30,333	102,906
2021 SIP share issue – partnership	303,767	–	–	–	–	40
2021 SIP share issue – matching	381,026	–	–	–	–	46
Shares issued in respect of MRP exercises	13,543	–	–	–	–	–
At 31 December 2021	125,495,505	2	303,305,534	30,331	30,333	102,992

* During 2020, all remaining shares held in the Employee Benefit Trust were disposed. See note 25 for further details.

** Deferred shares were created on the capital restructuring which completed in April 2017.

Accordingly, the Group share capital account comprised:

	£000
Share capital account	
At 1 January 2020	30,333
Shares issued during the year	1
At 31 December 2020	30,333
Shares issued during the year	1
At 31 December 2021	30,333

1 Given the low par value, the financial impact of share issues in the year rounds to zero.

Share premium

The share premium account arises from the Company issuing shares for consideration in excess of their nominal value less the cost of such issues. During the year, the Company issued 698,336 ordinary shares (2020: 2,436,994 ordinary shares), resulting in an increase in share premium of £0.1 million (2020: £0.2 million). No costs in relation to the share issues were incurred during the year (2020: nil).

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25 Other reserves

Other reserves are as follows:

	Share plan reserves £000	Treasury shares reserve £000	Capital contributions £000	Merger reserve £000	Total £000
Balance at 1 January 2020	11,933	(1,421)	47	22,222	32,781
Share options issued under the employee share plan	2,298	–	–	–	2,298
Shares issued under the SIP	–	38	–	–	38
Balance at 31 December 2020	14,231	(1,383)	47	22,222	35,117
Share options issued under the employee share plan	1,110	–	–	–	1,110
Shares issued under the SIP	–	30	–	–	30
Balance at 31 December 2021	15,341	(1,353)	47	22,222	36,257

Employee share plans – Equity settled

Details of the share options under employee share plans outstanding are as follows:

	EIP Number of units	MRP Number of units	EDRP Number of units
Outstanding at 1 January 2020	5,546,790	439,932	325,000
Exercisable at 1 January 2020	5,546,790	439,932	325,000
Awarded during the year	5,434,470	2,326,743	–
Exercised during the year	–	(1,511,715)	–
Forfeited during the year	(1,676,177)	–	–
Outstanding at 31 December 2020	9,305,083	1,254,960	325,000
Exercisable at 31 December 2020	9,305,083	1,254,960	325,000
Awarded during the year	2,500,000	–	–
Exercised during the year	–	(13,532)	–
Forfeited during the year	(1,678,077)	–	–
Outstanding at 31 December 2021	10,127,006	1,241,428	325,000
Exercisable at 31 December 2021	10,127,006	1,241,428	325,000

Note – all options are nil cost and therefore the weighted average exercise price is nil. In addition to the share plans above, included in other reserves are also historic costs relating to the Long-Term Incentive Plan 2011 (2011 LTIP) and Value Creation Plan (2014 VCP).

Executive Incentive Plan (EIP)

In March 2016, the Group introduced a Long-Term Incentive Plan in order to motivate and retain the Executive Directors of the Company and certain other key employees of the Group. On a yearly basis, since 2016 nil cost options were issued, which vest subject to meeting certain criteria, three years from grant. The options granted under the EIP are subject to a multiplier, which is defined by a share price target as explained in the Directors' Remuneration Report.

The fair value of the awards have been calculated in each period based on a Monte Carlo valuation model. The key inputs into the models were: share price as of date of grant, a risk free interest rate, and an implied share price volatility (based on historical volatility). It was also assumed that no options would be forfeited and no dividends would be paid during the life of the options.

25 Other reserves continued

Executive Incentive Plan (EIP) continued

The following table details the awards made under the Long-Term Incentive Plan to the Executive Director of the Company and other key employees of the Group and the fair value of the grants, with awards made to Executive Directors further detailed in the Directors' Remuneration Report.

Award date	Awarded number of options No.	Share price as of date of grant £	Risk free interest rate %	Implied share price volatility %	Fair value of EIP awards £million
March 2016 ^{1,2}	377,435 ¹	0.15	0.52	68.8	1.4
October 2017 ²	1,756,923	0.68	0.54	63.95	1.0
March 2018 ²	1,911,057	0.76	0.98	58.3	1.3
March 2019	2,033,093	0.78	0.74	80.9	1.8
April 2020	5,434,470	0.29	0.10	81.0	1.8
April 2021	2,500,000	0.25	0.15	102.7	0.5

1 On the award date a total of 7,548,701 options were issued. On 14 June 2017 these awards were subdivided in line with the subdivision and consideration of the Group's share capital (see note 24), which is the number of awards presented in the table above.

2 All grants made under these awards have now reached the end of the relevant vesting period. The exercise period extends until ten years after the award date.

The EIPs outstanding at 31 December 2021 had both a weighted average remaining contractual life and maximum term remaining of 8.2 years (2020: 8.6 years).

The total charge for the year was £1.11 million (2020: £1.87 million). Of this amount, £0.03 million (2020: £0.52 million) was capitalised and £1.08 million (2020: £1.35 million) was charged to the income statement.

Management Retention Plan (MRP)

In December 2015, the Group adopted a new share-based payment scheme, the MRP. Under the MRP, participants are granted nil cost options which vest and become exercisable on the first anniversary of grant subject to the Directors' continued employment and to a one-year holding period following the date of vesting.

Employees were granted 7,143,610 options in the MRP in lieu of waived options granted under the 2011 LTIP and 2016 cash bonuses. The options designated by the Group as replacement awards were accounted for as a modification of the original scheme and were valued at grant date and the options awarded in lieu of cash bonuses were measured with reference to the fair value of the services received.

The fair value of the cancelled awards was re-measured at the replacement date based on the Monte Carlo valuation model. The key inputs into the model were: replacement date share price of between £0.14 and £0.24, threshold price of between £1.351 and £1.664, a risk free interest rate of between 0.37% and 0.42% and an implied share price volatility of between 73% and 86%. It was also assumed that no dividends would be paid during the life of the options. This resulted in an incremental fair value of £0.17 million.

From March 2018 the Group has awarded ordinary shares to the Executive Director and other key employees of the Group as follows, with awards made to the Executive Director further detailed in the Directors' Remuneration Report:

Award date	Awarded number of ordinary shares No.
March 2018	76,310
March 2019	157,624
March and July 2020	2,326,743

The fair value of the awards is based on the fair value of the services rendered.

There were also a number of share exercises during each year relating to other employees of the Company.

The MRPs outstanding at 31 December 2021 had both a weighted average remaining contractual life and maximum term remaining of 5.6 years (2020: 6.5 years).

The total charge for the year was £nil (2020: £0.45 million). Of this amount, £nil (2020: £0.08 million) was capitalised or recharged to joint venture partners and £nil (2020: £0.37 million) was charged to the income statement.

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for the year ended 31 December 2021 continued

25 Other reserves continued

Executive Director Retention Plan (EDRP)

In July 2015, the Group adopted a new share-based payment scheme, the EDRP. Under the EDRP, participants are granted nil cost options which vest and become exercisable on the first anniversary of grant subject to the Directors' continued employment and to a one-year holding period following the date of vesting.

Executives were granted 6,500,000 options in the EDRP in lieu of waived options granted under the 2011 LTIP and the Value Creation Plan (VCP). The options have been designated by the Group as replacement awards at grant date and were accounted for as a modification of the original scheme.

The fair value of the cancelled awards was re-measured at the replacement date based on the Monte Carlo valuation model. The fair value of replacement awards was based on the Monte Carlo valuation model. The key inputs into the model were: replacement date share price of £0.23, threshold price of between £0.945 and £1.664, a risk free interest rate of between 0.49% and 0.60% and an implied share price volatility of between 70% and 78%. It was also assumed that no dividends would be paid during the life of the options. This resulted in an incremental fair value of £1.5 million.

The EDRPs outstanding at 31 December 2021 had both a weighted average remaining contractual life and maximum term remaining of 1.5 years (2020: 2.5 years).

The total charge for the year was £nil (2020: £nil). Of this amount, £nil (2020: £nil) was capitalised and £nil (2020: £nil) was charged to the income statement.

Other share-based payments

Share Incentive Plan (SIP)

In 2013, the Group adopted an Inland Revenue approved SIP for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of IGas ordinary shares per month or £1,800 per annum. Under the SIP, employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares (matching shares), on a one-for-one or two-for-one basis subject to the pre-defined quarterly production targets being met.

The total charge for the year was £0.08 million (2020: £0.09 million). Of this amount, £nil (2020: £nil) was capitalised and £0.08 million (2020: £0.09 million) was charged to the income statement.

Treasury shares reserve

The Treasury shares reserve consisted of shares issued to the IGas Energy Employee Benefit Trust (the Trust), of which the Company was the sponsoring entity. The value of such shares was recorded in the share capital and share premium accounts in the ordinary way and was also shown as a deduction from equity in this separate reserve account. There is therefore no net effect on shareholders' funds.

During the year ended 31 December 2020, all remaining shares in the Trust were disposed of and the Trust was terminated on 15 January 2021.

During the years ended to 31 December 2021 and 31 December 2020, no shares were issued to the Trust. In 2020, 5,000 ordinary shares of £0.00002 each were released from the Trust on exercise of share options by current and former employees.

Capital contribution

The capital contribution relates to cash received following the acquisition of IGas Exploration UK Limited.

Merger reserve

The merger reserve arose as a result of a reverse acquisition on 31 December 2007 whereby Island Gas Limited (IGL) became a wholly owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the ordinary share capital of the Company. The reserve represents the difference in the fair value and the nominal value of the shares issued. The reserve is not distributable.

26 Related party transactions

The information below sets out transactions and balances between the Group and related parties in the normal course of business for the year ended 31 December 2021. All related party transactions were entered into on an arm's length basis.

The Non-executive Directors, Chief Executive Officer and Chief Financial Officer (role made redundant on 31 July 2020) of the Company are considered to be the only key management personnel as defined by IAS 24 – Related Party Disclosures.

26 Related party transactions continued

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Short-term employee benefits	614	651
Termination benefits	–	376
Share plan	336	1,447
Social security costs	80	133
Fees	128	107
	1,158	2,714

Short-term employee benefits: These amounts comprise fees paid to the key management personnel in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Share plan: This is the cost to the Group of key management personnel's participation in SIP, MRP and EIP plans, as measured by the fair value of SIP, MRPs and EIPs granted, accounted for in accordance with IFRS 2.

27 Subsequent events

On 26 January 2022, the Group issued 144,232 ordinary £0.00002 shares in relation to the Group's SIP scheme. The shares were issued at £0.1455 resulting in share premium of £20,983.

28 Operating segments

An operating segment is a component of the Group that engages in a business activity from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All the operating segment's operating results are reviewed regularly to make decisions about resources to be allocated to the segment and to assess its performance. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses. The Group only has one reportable geographical segment with continuing operations, being the UK.

	2021			2020		
	Operating segment £'000	Unallocated £'000	Total £'000	Operating segment £'000	Unallocated £'000	Total £'000
External revenues	37,916	–	37,916	21,578	–	21,578
Cost of sales	(23,899)	–	(23,899)	(23,527)	–	(23,527)
Gross profit	14,017	–	14,017	(1,949)	–	(1,949)
General & administrative expenses	(3,935)	(1,892)	(5,827)	(4,681)	(650)	(5,331)
Exploration costs written off	(10,463)	–	(10,463)	(67)	–	(67)
Oil and gas impairment	–	–	–	(38,535)	–	(38,535)
Hedging	(6,715)	–	(6,715)	3,749	–	3,749
Segment operating profit/(loss)	(7,096)	(1,892)	(8,988)	(41,483)	(650)	(42,133)
Changes in fair value of contingent considerations			570			(180)
Other income			–			415
Finance income			2			1,471
Finance costs			(3,850)			(3,647)
Finance costs – net			(3,848)			(2,176)
Loss before income tax	(7,096)	(1,892)	(12,266)	(41,483)	(650)	(44,074)
Total assets	167,326	1,072	168,398	166,150	883	167,033
Total liabilities	(99,245)	(537)	(99,782)	(93,436)	(294)	(93,730)

Parent Company Balance Sheet

as at 31 December 2021

	Note	31 December 2021 £000	31 December 2020 £000
Assets			
Non-current assets			
Investments in subsidiaries	2	182,011	186,246
Property, plant and equipment	3	—	21
		182,011	186,267
Current assets			
Trade and other receivables	4	23,128	18,774
Cash and cash equivalents	5	255	280
		23,383	19,054
Total assets		205,394	205,321
Liabilities			
Current liabilities			
Trade and other payables	6	(148,046)	(140,705)
Provisions	9	(280)	(293)
		(148,326)	(140,998)
Non-current liabilities			
Borrowings	8	(14,836)	(13,695)
Provisions	9	(2,451)	(2,731)
		(17,287)	(16,426)
Total liabilities		(165,613)	(157,424)
Net assets		39,781	47,897
Equity			
Capital and reserves			
Called up share capital	11	30,333	30,333
Share premium account	11	102,992	102,906
Other reserves	12	36,257	35,117
Accumulated deficit		(129,801)	(120,459)
Total equity		39,781	47,897

As a consolidated income statement is published in this Annual Report, a separate income statement for the Company is not presented within these financial statements as permitted by Section 408 of the Companies Act 2006. The Company reported a loss for the year of £9.3 million (2020: a loss of £39.6 million).

These financial statements were approved and authorised for issue by the Board on 6 April 2022 and are signed on its behalf by:



Stephen Bowler
Chief Executive Officer



Frances Ward
Finance Director

The notes on pages 93 to 108 form an integral part of these financial statements.

Parent Company Statement of Changes in Equity

for the year ended 31 December 2021

	Called up share capital (note 11) £000	Share premium account (note 11) £000	Capital redemption reserve £000	Other reserves* (note 12) £000	Accumulated deficit £000	Total equity £000
Balance at 1 January 2020	30,333	102,680	–	32,781	(80,869)	84,925
Loss for the year	–	–	–	–	(39,608)	(39,608)
Employee share plans (note 12)	–	–	–	2,366	–	2,366
Disposal of shares held in EBT (note 12)	–	–	–	–	18	18
Issue of shares (note 11)	–	226	–	(30)	–	196
Balance at 31 December 2020	30,333	102,906	–	35,117	(120,459)	47,897
Loss for the year	–	–	–	–	(9,342)	(9,342)
Employee share plans (note 12)	–	–	–	1,140	–	1,140
Issue of shares (note 11)	–	86	–	–	–	86
Balance at 31 December 2021	30,333	102,992	–	36,257	(129,801)	39,781

* Other reserves include: 1) EIP/MRP/LTIP/VCP/EDRP (see Group note 25) reserves which represent the cost of share options issued under the long-term incentive plans; 2) share investment plan reserve which represents the cost of the partnership and matching shares; 3) treasury shares reserve which represents the cost of shares in IGas Energy plc purchased in the market and held by the IGas Employee Benefit Trust (EBT) to satisfy awards held under the Group incentive plans; and 4) capital contribution reserve which arose following the acquisition of IGas Exploration UK Limited.

The notes on pages 93 to 108 form an integral part of these financial statements.

Parent Company Cash Flow Statement for the year ended 31 December 2021

	Note	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Cash flows from operating activities:			
Loss before tax for the year		(9,342)	(39,608)
Depletion, depreciation and amortisation		21	36
Share-based payment charge		70	397
Impairment of investments	2	5,761	42,330
Credit loss allowance	10	7,749	6,073
Changes in fair value of contingent consideration	9	(570)	180
Other income		–	(415)
Finance income		(8,258)	(12,970)
Finance costs		2,652	1,697
Other non-cash adjustments		2	(1)
Operating cash flow before working capital movements		(1,915)	(2,281)
Increase in trade and other receivables		(4,359)	(4,310)
Increase in trade and other payables		6,352	2,631
Cash generated/(used in) operating activities		78	(3,960)
Tax refunded		–	–
Net cash generated/(used in) operating activities		78	(3,960)
Cash flows from investing activities:			
Interest received		–	4
Net cash from investing activities		–	4
Cash flows from financing activities:			
Cash proceeds from issue of ordinary share capital	11	40	56
Proceeds from disposal of shares held in EBT net of costs		–	4
Drawdown on Reserves Based Lending facility	5	1,432	5,544
Repayment on Reserves Based Lending facility	5	(756)	(4,645)
Interest paid	5	(812)	(940)
Net cash (used in)/generated from financing activities		(96)	19
Net decrease in cash and cash equivalents in the year		(18)	(3,937)
Net foreign exchange difference		(7)	(15)
Cash and cash equivalents at the beginning of the year		280	4,232
Cash and cash equivalents at the end of the year	5	255	280

The notes on pages 93 to 108 form an integral part of these financial statements.

Parent Company Financial Statements – Notes

for the year ended 31 December 2021

1 Accounting policies

(a) Basis of preparation of financial statements

The Parent Company financial statements of IGas Energy plc (the Company) have been prepared in accordance with UK-adopted international accounting standards. The financial statements were approved by the Board and authorised for issue on 6 April 2022. IGas Energy plc is a public limited company (limited by shares) incorporated and registered in England, United Kingdom, and listed on the Alternative Investment Market (AIM).

UK company law requires the change in basis of preparation from international accounting standards in conformity with the requirements of the Companies Act 2006 for the purposes of financial reporting as a result of the UK's exit from the European Union on 31 January 2020 and the cessation of the transitional period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework, which is required to ground the use of IFRS in UK company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

The Company financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting financial year. The Company's financial statements are presented in UK pound sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

As a consolidated income statement is published in this Annual Report, a separate income statement for the Company is not presented within these financial statements as permitted by Section 408 of the Companies Act 2006. The Company reported a loss for the year of £9.3 million (2020: a loss of £39.6 million).

New and amended IFRS standards that are effective for the current year

During the year, the Company adopted the following new and amended IFRSs for the first time for their reporting financial year commencing 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments IFRS 16	COVID-19-Related Rent Concessions

The adoption of the standards listed above did not have a material impact on the financial statements of the Company.

New and revised IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future financial years.

Parent Company Financial Statements – Notes for the year ended 31 December 2021 continued

1 Accounting policies continued

(b) Going concern

The Company is reliant on the performance of IGas plc and its subsidiaries (the Group) for liquidity.

The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are regularly produced based on, inter alia, the Group's production and expenditure forecasts, management's best estimate of future oil prices, management's best estimate of foreign exchange rates and the Group's available loan facility under the RBL. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, strengthening of sterling and reductions in forecast oil and gas production rates.

The Group's operating cash flows have improved in 2021 as a result of improving commodity prices and we have successfully completed the 2021 year-end redetermination. However, the ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its RBL, which is redetermined semi-annually based on various parameters (including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants. We also assumed that our existing RBL facility is amortised in line with its terms but is not refinanced or extended resulting a reduction in the facility to \$12 million from 1 July 2023. To mitigate these risks, the Group benefits from its hedging policy with 231,000 bbls currently hedged for Q2-Q4 2022 using swaps at an average price of \$74/bbl and 129,000 bbls using puts with an average price, net of premiums, of \$46/bbl. In addition, we have hedged 15,000 bbls for Q1 2023 using swaps at \$95/bbl.

Management has considered the impact of supply chain constraints on the Group's operations. We have seen some impact on production during 2021 due to supply chain constraints and the need for members of our staff to self-isolate and have developed a number of contingency plans to mitigate this. Many of our sites are remotely manned and we are well equipped as a business to ensure we maintain business continuity, recognising that our production comes from a large number of wells in a variety of locations and we have flexibility in our off-take arrangements.

Crude oil prices rose during 2021 and into 2022 as increasing COVID-19 vaccination rates, loosening pandemic-related restrictions, and a growing economy resulted in global petroleum demand rising faster than petroleum supply. The Ukraine war and sanctions imposed on Russia have caused disruption to international trade and dislocations in energy markets, tightening oil and gas markets significantly and causing prices to rise further while increasing price volatility.

The Group's base case cash flow forecast was run with average oil prices of \$96/bbl for 2022 falling to an average of \$85/bbl in 2023 based on the forward curve. A foreign exchange rate of \$1.35/£1 was used. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility for the 12 months from the date of approval of the financial statements. Management has also prepared a downside case with average oil prices at \$90/bbl for H1 2022, \$76/bbl for H2 2022 and \$68/bbl for 2023 and an average exchange rate of \$1.37/£1.00 for 2022 and \$1.42/£1.00 for 2023. Our downside case also included an average reduction in production of 5% over the period.

Management expects to execute further hedging during the course of the year, which will provide further protection in the downside case. Management would also take mitigating actions including delaying capital expenditure and additional reductions in costs in order to remain within the Group's debt liquidity covenants should such actions be necessary if prices were to decrease further. All such mitigating actions are within management's control. We have not assumed any extensions or refinancing to the RBL. In this downside scenario, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants for the 12 months from the date of approval of the financial statements.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

1 Accounting policies continued

(c) Significant accounting judgements and estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below.

Estimate:

Recoverable value of investment in subsidiaries

The Company evaluates investments in subsidiaries for indicators of impairment as described in (d) below. Any impairment test, where required, involves estimates and associated assumptions related to matters (when appropriate), such as recoverable reserves; production profiles; forward gas and electricity prices; development, operational and off-take costs; nature of land access agreements and planning permissions; application of taxes; and other matters. Where the final outcome or revised estimates related to such matters differ from the estimates used in any earlier impairment reviews, the results of such differences, to the extent that they actually affected any impairment provisions, are accounted for when such revisions are made. Details of the Company's investments are disclosed in note 2.

Judgement:

Functional currency

The determination of a Company's functional currency often requires significant judgement where the primary economic environment in which it operates may not be clear. The Company's financial statements are presented in UK pound sterling, the primary economic environment of the Company.

(d) Non-current assets

Investments in subsidiaries

Investments in Group companies held as non-current assets are held at cost less provision for impairment unless the investments were acquired in exchange for the issue or part issue of shares in the Company, when they are initially recorded in the Company's balance sheet at the fair value of the shares issued together with the fair value of any consideration paid, including costs of acquisition less any provision for impairment.

The Company's investments in Group companies held as non-current assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable, when impairment is calculated on the basis as set out below. Any impairment is charged to the income statement.

Loans to Group companies are stated at amortised cost.

Impairment

Impairment tests, when required, are carried out on the following basis:

- By comparing any amounts carried as investments held as non-current assets with the recoverable amount.
- The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The Company generally assesses value in use using the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Where there has been a charge for impairment in an earlier financial year that charge will be reversed in a later financial year where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the investment will be increased to the lower of its original carrying value and the carrying value that would have been determined had no impairment loss been recognised in prior financial years.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives at the following rates, with any impairment being accounted for as additional depreciation:

Buildings	– over five years on a straight-line basis
Fixtures, fittings and equipment	– between three and five years on a straight-line basis
Motor vehicles	– over four years on a straight-line basis

(e) Financial instruments

Classification

The Parent Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded either in the income statement or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Parent Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Parent Company reclassifies debt investments when and only when its business model for managing those assets changes.

Parent Company Financial Statements – Notes for the year ended 31 December 2021 continued

1 Accounting policies continued

(e) Financial instruments continued

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the Parent Company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Parent Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Parent Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the income statement.

The Parent Company holds financial assets at amortised cost being trade and other receivables, cash and cash equivalents and restricted cash and derivative financial instruments used for hedging.

The Parent Company also holds financial liabilities at amortised cost being trade and other payables, borrowings, other creditors and derivative financial instruments used for hedging.

The Parent Company classifies its financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with original maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. Details about the Company's impairment policy and the calculation of loss allowance is provided in the Impairment accounting policy below.

Trade and other payables

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

Expected credit loss

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

1 Accounting policies continued

(e) Financial instruments continued

Borrowings

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

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the financial year in which they are incurred.

(f) Taxation

The tax expense represents the sum of current tax and deferred tax.

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

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

The carrying amount of deferred tax is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the income statement are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

(g) Share-based payments

Where share options are awarded to employees (including Directors), the fair value of the options at the date of the grant is recorded in equity over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including market-vesting conditions, are factored in to the fair value of the options granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured by the change from immediately before to after the modification, is also recorded in equity over the remaining vesting period.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised or the award is recognised immediately.

Parent Company Financial Statements – Notes for the year ended 31 December 2021 continued

1 Accounting policies continued

(g) Share-based payments continued

Where an equity settled award is identified as a replacement it will be treated as a modification to the original plan where the incremental fair value of the replacement award is expensed over the vesting period of the replacement award. The fair value of the original award on its grant date is continued to be recognised over its original vesting period. Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

Charges corresponding to the amounts recognised in equity are accounted as a cost in the income statement unless the services rendered qualify for capitalisation as a non-current asset. Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition or intangible exploration and evaluation assets or property, plant and equipment.

Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, the value of such shares at issue will be recorded in share capital and share premium account in the ordinary way, but will not affect shareholders' funds since this same value will be shown as a deduction from shareholders' funds by way of a separate component of equity (Treasury shares).

Amounts recognised in the share plan reserves and treasury share reserve are not subsequently reclassified within equity.

(h) Equity

Equity instruments issued by the Company are usually recorded at the proceeds received, net of direct issue costs, and allocated between called up share capital, share premium accounts or merger reserve as appropriate.

(i) Foreign currency

Transactions denominated in currencies other than the functional currency UK pound sterling are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange rate ruling at the balance sheet date. All differences that arise are recorded in the income statement.

2 Investments in subsidiaries

Investments in subsidiaries comprises:

	2021			2020		
	Investment in Group companies £000	Loans to Group companies* £000	Total £000	Investment in Group companies £000	Loans to Group companies* £000	Total £000
Parent Company						
At 1 January	37,049	249,299	286,348	74,026	241,018	315,044
Acquisitions	–	–	–	3,284	–	3,284
Additions	1,017	8,258	9,275	2,069	8,281	10,350
Impairments	(5,761)	–	(5,761)	(42,330)	–	(42,330)
At 31 December	32,305	257,557	289,862	37,049	249,299	286,348
Credit loss allowance*	–	(107,851)	(107,851)	–	(100,102)	(100,102)
At 31 December	32,305	149,706	182,011	37,049	149,197	186,246

* Refer to note 10 for credit risk.

Loans to Group companies are repayable on demand and bear interest at either 1.2% above GBP LIBOR or at a fixed rate of 6% and 12%. GBP LIBOR rates are being replaced by alternative risk-free rates as part of the inter-bank offer rate (IBOR) reform and are no longer published by the FCA with effect from 31 December 2021. The Company is preparing for transition to incorporate alternative risk-free rates where the current interest benchmark used by the Company is GBP LIBOR in relation to its intercompany debt facilities. The Company is monitoring the market and discussing the potential changes in order to effectively transition to alternative risk-free rates and does not expect any material impact on its financial position and performance.

During 2020, the Company acquired GT Energy UK Limited for an initial payment of £0.5 million and the contingent consideration of £2.8 million. Refer to Group note 21 for details of the transaction. Additions represent investment of £1.0 million (2020: £2.1 million) relating to employee share-based payment costs under IFRS 2 and £8.3 million (2020: £8.3 million) interest accrued on existing loans to Group companies.

The Company's investments in subsidiaries were reviewed for indicators of impairment as at 31 December 2021. Impairments of £5.8 million (2020: £42.3 million) are recorded against the investments which are not supported by the subsidiaries' underlying net asset values.

The Company's loans to Group companies were reviewed for expected credit loss as at 31 December 2021. Credit loss allowance of £107.8 million (2020: £100.1 million) is recorded against the loans to Group companies arising from the estimated discounting in respect of the likely timing of future receipts against balances that are technically repayable on demand.

2 Investments in subsidiaries continued

At 31 December 2021, the Company had investments in the following 100% owned subsidiaries:

Name of company	Principal activity and Country of incorporation	Registered office address
Subsidiaries directly held by the Company:		
Dart Energy Pty Ltd*	Investment holding, Australia	c/o PwC Level 23, 480 Queen Street, Brisbane QLD 4000
Island Gas Limited	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Island Gas Operations Limited	Dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Enterprise Limited	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Star Energy Group Limited	Service company, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Star Energy Limited	Service company, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Star Energy Weald Basin Limited	Oil and gas processing, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
GT Energy UK Limited	Development of deep geothermal heat projects, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Subsidiaries indirectly held by the Company:		
Island Gas (Singleton) Limited	No operations but not dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Dart Energy (Europe) Limited	Investment holding, Scotland	c/o Womble Bond Dickinson (UK) LLP, 2 Semple Street, Edinburgh, EH3 8BL
Dart Energy (East England) Limited	Shale gas exploration, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Dart Energy (West England) Limited	Shale gas exploration, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Development Limited	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Production Limited	Oil and gas exploration, development and production, Scotland	c/o Womble Bond Dickinson (UK) LLP, 2 Semple Street, Edinburgh, EH3 8BL
Greenpark Energy Transportation Limited	Dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Dart Energy (India) Pty Limited *	Investment holding, Australia	C/O PwC Level 23, 480 Queen Street, Brisbane QLD 4000
Dart Energy India Services Pvt Limited*	Service company, India	804-805, 8th Floor, Tower B, Global Business Park, M.G Road, Gurugram, Harvana
Dart Energy International Limited**		
Dart Energy (Europe) Pte Limited **		
Dart Energy (ST) Pte Limited *	Investment holding – dormant, Singapore	80 Robinson Road, #02-00, Singapore 068898
Dart Energy (AS) Pte Limited *	Investment holding, Singapore	80 Robinson Road, #02-00, Singapore 068898

* These entities are in the process of being struck-off/liquidated.

** These entities have been struck-off/dissolved during the financial year.

Parent Company Financial Statements – Notes

for the year ended 31 December 2021 continued

3 Property, plant and equipment

	2021				2020			
	Buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000	Buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost								
At 1 January	464	86	20	570	464	96	20	580
Disposals/write-offs	(464)	(42)	–	(506)	–	(10)	–	(10)
At 31 December	–	44	20	64	464	86	20	570
Accumulated depreciation and impairment								
At 1 January	444	85	20	549	409	94	20	523
Charge for the year	20	1	–	21	35	1	–	36
Disposals/write-offs	(464)	(42)	–	(506)	–	(10)	–	(10)
At 31 December	–	44	20	64	444	85	20	549
NBV at 31 December	–	–	–	–	20	1	–	21

4 Trade and other receivables

	31 December 2021 £000	31 December 2020 £000
Amounts falling due within one year:		
Amounts due from subsidiary undertakings	48,674	44,252
Less: Credit loss allowance*	(25,736)	(25,736)
VAT recoverable	12	65
Prepayments	178	193
	23,128	18,774

* Refer to note 10 for credit risk.

Amounts due from subsidiary undertakings are unsecured, interest free and payment terms are as mutually agreed between the Group's companies. Amounts due from subsidiary undertakings are stated after the expected credit loss allowance of £25.7 million (31 December 2020: £25.7 million). Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

5 Cash and cash equivalents

	31 December 2021 £000	31 December 2020 £000
Cash at bank and in hand	255	280

Net debt reconciliation

	31 December 2021 £000	31 December 2020 £000
Cash and cash equivalents	255	280
Borrowings	(14,836)	(13,695)
Net debt	(14,581)	(13,415)
Borrowings – capitalised fees	(669)	(937)
Net debt excluding capitalised fees	(15,250)	(14,352)

	2021			2020		
	Cash and cash equivalents £000	Borrowings £000	Total £000	Cash and cash equivalents £000	Borrowings £000	Total £000
At 1 January	280	(13,695)	(13,415)	4,232	(13,071)	(8,839)
Interest paid on borrowing	(812)	–	(812)	(940)	–	(940)
Drawdown of RBL (note 8)	1,432	(1,432)	–	5,544	(5,544)	–
Repayment of RBL (note 8)	(756)	756	–	(4,645)	4,645	–
Foreign exchange adjustments	(7)	(198)	(205)	(15)	610	595
Other cash flows	118	–	118	(3,896)	–	(3,896)
Other non-cash movements	–	(267)	(267)	–	(335)	(335)
At 31 December	255	(14,836)	(14,581)	280	(13,695)	(13,415)

6 Trade and other payables

	31 December 2021 £000	31 December 2020 £000
Trade creditors	(13)	(19)
Taxation and social security	(23)	(19)
Amounts due to subsidiary undertakings	(147,555)	(140,452)
Accruals and other creditors	(455)	(215)
	(148,046)	(140,705)

Trade creditors are unsecured and usually paid within 30 days of recognition.

Amounts due to subsidiary undertakings are unsecured, interest free and are repayable on demand.

The carrying value of each of the Company's financial liabilities included within trade and other payables are considered to be a reasonable approximation of their fair value.

Parent Company Financial Statements – Notes

for the year ended 31 December 2021 continued

7 Taxation

Tax losses, none of which are considered sufficiently certain of utilisation to recognise deferred tax assets, amount to:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Excess management expenses	19,134	19,134
Non-trade loan relationship debits	47,905	47,905

8 Borrowings

	31 December 2021 £000	31 December 2020 £000
RBL – secured (non-current)	(14,836)	(13,695)

The carrying amounts of each of the Company's financial liabilities included within borrowings are considered to be a reasonable approximation of their fair value.

Reserves Based Lending facility

On 3 October 2019, the Company announced that it had signed a \$40.0 million RBL with BMO. In addition to the committed \$40.0 million RBL, a further \$20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments. The RBL has a five-year term, an interest rate of USD LIBOR plus 4.0%, matures in September 2024 and is secured on the Company's assets. The Company is continuing preparation for transition to incorporate alternative risk-free rates and is monitoring the market and discussing the potential changes with its counterparties in order to effectively transition from USD LIBOR to alternative risk-free rates. Management does not expect any material impact on its financial position and performance resulting from this transition.

The RBL is subject to a semi-annual redetermination in May and November when the loan availability will be recalculated taking into account forecast commodity prices, remaining field reserves (assessed by an independent reserves auditor annually) and the latest forecast of operating and capital costs. As at 31 December 2021, the Group had successfully completed the November 2021 redetermination which confirmed an available facility limit of \$26.2 million.

Under the terms of the RBL, the Company is subject to a financial covenant whereby, as at 30 June and 31 December each year, the ratio of Net Debt at the period end to EBITDAX for the previous 12 months shall be less than or equal to 3.5:1.

Collateral against borrowing

A Security Agreement was executed between BMO and IGas Energy plc and some of its subsidiaries, namely: Island Gas Limited, Island Gas Operations Limited, Star Energy Weald Basin Limited, Star Energy Group Limited, Star Energy Limited, Island Gas (Singleton) Limited, Dart Energy (East England) Limited, Dart Energy (West England) Limited, IGas Energy Development Limited, IGas Energy Enterprise Limited, Dart Energy (Europe) Limited and IGas Energy Production Limited.

Under the terms of this Agreement, BMO have a floating charge over all of the assets of these legal entities, other than property, assets, rights and revenue detailed in a fixed charge. The fixed charge encompasses the real property (freehold and/or leasehold property), the specific petroleum licences, all pipelines, plant, machinery, vehicles, fixtures, fittings, computers, office and other equipment, all related property rights, all bank accounts, shares and assigned agreements and rights including related property rights (hedging agreements, all assigned intergroup receivables and each required insurance and the insurance proceeds).

9 Provisions

	2021 £000	2020 £000
At 1 January	(3,024)	–
Acquisitions	–	(2,784)
Unwinding of discount	(277)	(60)
Changes in fair value of contingent consideration	570	(180)
At 31 December	(2,731)	(3,024)
Current	(280)	(293)
Non-current	(2,451)	(2,731)

9 Provisions continued

Contingent consideration

The carrying value of contingent consideration relates to the GT Energy acquisition in 2020, as explained in the Group consolidated financial statements note 21. The change in fair value is primarily related to the increase in fair value of IGas plc shares from the previous year end, as the consideration is payable in shares.

Sensitivity of changes in assumptions

The principal assumptions in calculating the fair value of contingent consideration is the probability assigned to milestone payments and the share price at valuation date. Management performed a sensitivity analysis to assess the impact of changes to the key assumptions. An increase in the probability of the scenario which would result in the maximum pay out by 5% would result in an increase in the contingent consideration provision by £0.3 million (2020: £0.3 million). An increase in the share price at valuation date by 10% would result in an increase in the contingent consideration provision by £0.2 million (2020: £0.2 million).

10 Financial instruments and risk management

Fair value hierarchy

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

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

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

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at the reporting dates as follows:

		31 December 2021 £000	31 December 2020 £000
	Level		
Financial liabilities:			
Contingent consideration (note 9)	3	(2,731)	(3,024)

Financial risk management

The Company's principal financial liabilities comprise borrowings, foreign exchange contracts and trade and other payables, including amounts due to subsidiary undertakings. The main purpose of these financial liabilities is to finance the Company's subsidiary operations and to fund acquisitions. The Company has trade and other receivables, and cash and cash equivalents that are derived directly from its operations.

The Company manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the Company's financial targets while protecting future financial security. The Company is exposed to the following risks:

- Market risk including interest rate, and foreign currency risks;
- Credit risk; and
- Liquidity risk.

Management reviews and agrees policies for managing each of these risks which are summarised below. It is the Company's policy that all transactions involving derivatives must be directly related to the underlying business of the Company. The Company does not use derivative financial instruments for speculative exposures.

Parent Company Financial Statements – Notes for the year ended 31 December 2021 continued

10 Financial instruments and risk management continued

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market factors, such as interest rate and foreign currency.

The sensitivity analyses below have been prepared on the basis that the amount of net debt and the proportion of financial instruments in foreign currencies are all constant and that derivatives are held to maturity. The sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans with related parties and the RBL with BMO (see note 8 for further details).

The following table summarises the impact on profit before tax for changes in interest rates on the fair value of the loans to related parties and the drawn RBL balance. The analysis is based on the assumption that LIBOR moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in profit before tax for the year ended and to equity as at	
	31 December 2021 £000	31 December 2020 £000
50 basis point increase in LIBOR	314	320
50 basis point decrease in LIBOR	(314)	(320)

Foreign currency risk

The Company has transactional currency exposures. Such exposure arises from purchases in currencies other than the UK pounds sterling, the functional currency of the Company. The Company's borrowings are also denominated in US dollars.

The following table summarises the impact on profit before tax for changes in the US dollar/UK pound sterling exchange rate on financial assets and liabilities as at the year end, principally relating to the Group's borrowings which are denominated in US dollars. The impact on equity is the same as the impact on profit before tax.

The analysis is based on the assumption that the pound moves 10%, with all other variables held constant.

	Increase/(decrease) in profit before tax for the year ended and to equity as at	
	31 December 2021 £000	31 December 2020 £000
10% strengthening of the pound against the US dollar	1,538	1,452
10% weakening of the pound against the US dollar	(1,538)	(1,452)

Credit risk

With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents and amounts due from subsidiary undertakings, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The expected credit loss allowance against amounts due from subsidiary undertakings amounts to £25.7 million (31 December 2020: £25.7 million). The Company limits its counterparty credit risk on cash and cash equivalents by dealing only with financial institutions with credit ratings of at least A or equivalent other than if the UK government is a majority shareholder. £0.3 million (2020: £0.3 million) of cash and cash equivalents were held with two institutions.

The loans to subsidiaries are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses apart from two loans which were provided for in full. The expected credit loss allowance against loans to subsidiaries amounts to £107.9 million (2020: £100.1 million). Management consider 'low credit risk' to be when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

10 Financial instruments and risk management continued

Credit risk continued

The loss allowance for the loan to subsidiary and amounts due from subsidiary undertakings as at 31 December reconciles to the opening loss allowance as follows:

	Loan to subsidiary	
	2021	2020
	£000	£000
Opening loss allowance at 1 January	125,838	119,765
Increase in 12 month expected loss allowance recognised in income statement during the year	364	765
Increase in lifetime expected credit loss allowance recognised in income statement during the year	7,385	5,308
Closing loss allowance at 31 December	133,587	125,838

Liquidity risk

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

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	On demand £000	<1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
At 31 December 2021						
Borrowings	–	–	(6,645)	(8,860)	–	(15,505)
Trade and other payables	–	(13)	–	–	–	(13)
	–	(13)	(6,645)	(8,860)	–	(15,518)
At 31 December 2020						
Borrowings	–	–	–	(3,424)	(10,271)	(13,695)
Trade and other payables	–	(19)	–	–	–	(19)
	–	(19)	–	(3,424)	(10,271)	(13,714)

Capital management

The Company manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Company's funding requirements are met through a combination of debt and equity and are adjustments made in light of changes in economic conditions. The Company's strategy is to maintain ratios in line with covenants associated with its secured Reserves Based Lending facility (see note 8).

The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Company includes within net debt, interest-bearing loans less cash, cash equivalents and restricted cash in net debt. Capital includes share capital, share premium, other reserves and accumulated profits/losses.

The Company signed a new \$40.0 million RBL with BMO on 3 October 2019. In addition to the committed \$40.0 million RBL, a further \$20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments (see note 8). Management believe that the new financing structure will be sustainable in the current oil price environment and that the Company is well positioned to pursue its strategy.

Parent Company Financial Statements – Notes

for the year ended 31 December 2021 continued

11 Share capital and share premium

On 3 April 2017, the shareholders approved the subdivision of each of the 303,305,534 ordinary shares of 10p each of the Company into one new ordinary share of 0.0001p each and one deferred share of 9.9999p each. At the Annual General Meeting of the Company on 14 June 2017, the shareholders approved a consolidation and subdivision of the Company's share capital in order to reduce the number of shares in issue to that more appropriate for the size of the Company. Following the consolidation, every 200 ordinary shares of 0.0001p each were consolidated into one new ordinary share of 0.02p each and immediately sub-divided into 10 ordinary shares of 0.002p. The consolidation and subdivision reduced the number of shares in issue from 2.4 billion to 121 million.

	Ordinary shares*		Deferred shares**		Share capital	Share premium
	No.	Nominal value £000	No.	Nominal value £000	Nominal value £000	Value £000
Issued and fully paid						
At 1 January 2020	122,360,175	2	303,305,534	30,331	30,333	102,680
2020 SIP share issue – partnership	288,363	–	–	–	–	56
2020 SIP share issue – matching	285,362	–	–	–	–	56
Shares issued in respect of salary sacrifice scheme	1,235,168	–	–	–	–	–
Shares issued for acquisitions (Group note 21)	377,586	–	–	–	–	84
Shares issued in lieu of Directors' fees	250,515	–	–	–	–	30
At 31 December 2020	124,797,169	2	303,305,534	30,331	30,333	102,906
2021 SIP share issue – partnership	303,767	–	–	–	–	40
2021 SIP share issue – matching	381,026	–	–	–	–	46
Shares issued in respect of MRP exercises	13,543	–	–	–	–	–
At 31 December 2021	125,495,505	2	303,305,534	30,331	30,333	102,992

* During 2020, all remaining shares held in the Employee Benefit Trust were disposed. See Group note 25 for further details.

** Deferred shares were created on the capital restructuring which completed in April 2017.

Accordingly, the Company share capital account comprised:

	£000
Share capital account	
At 1 January 2020	30,333
Shares issued during the year	1
At 31 December 2020	30,333
Shares issued during the year	1
At 31 December 2021	30,333

1 Given the low par value, the financial impact of share issues in the year rounds to zero.

Share premium

The share premium account arises from the Company issuing shares for consideration in excess of their nominal value less the cost of such issues. During the year, the Company issued 698,336 ordinary shares (2020: 2,436,994 ordinary shares), resulting in an increase in share premium of £0.1 million (2020: £0.2 million). No costs in relation to the share issue were incurred during the year (2020: nil).

12 Other reserves

Other reserves are as follows:

	Share plan reserves £000	Treasury shares reserve £000	Capital contributions £000	Merger reserve £000	Total £000
Balance at 1 January 2020	11,933	(1,421)	47	22,222	32,781
Share options issued under the employee share plan	2,298	—	—	—	2,298
Shares issued under the SIP	—	38	—	—	38
Balance at 31 December 2020	14,231	(1,383)	47	22,222	35,117
Share options issued under the employee share plan	1,110	—	—	—	1,110
Shares issued under the SIP	—	30	—	—	30
Balance at 31 December 2021	15,341	(1,353)	47	22,222	36,257

Employee share plans – Equity settled

Details of the share options under employee share plans outstanding are as follows:

	EIP Number of units	MRP Number of units	EDRP Number of units
Outstanding at 1 January 2020	5,546,790	439,932	325,000
Exercisable at 1 January 2020	5,546,790	439,932	325,000
Awarded during the year	5,434,470	2,326,743	—
Exercised during the year	—	(1,511,715)	—
Forfeited during the year	(1,676,177)	—	—
Outstanding at 31 December 2020	9,305,083	1,254,960	325,000
Exercisable at 31 December 2020	9,305,083	1,254,960	325,000
Awarded during the year	2,500,000	—	—
Exercised during the year	—	(13,532)	—
Forfeited during the year	(1,678,077)	—	—
Outstanding at 31 December 2021	10,127,006	1,241,428	325,000
Exercisable at 31 December 2021	10,127,006	1,241,428	325,000

Note – all options are nil cost and therefore the weighted average exercise price is nil.

Detailed disclosure of each employee share plan scheme is in the Group consolidated financial statements note 25.

Executive Incentive Plan (EIP)

The total charge for the year was £0.17 million (2020: £0.27 million). Of this amount, £nil (2020: £nil) was capitalised and £0.17 million (2020: £0.27 million) was charged to the income statement.

Management Retention Plan (MRP)

The total charge for the year was £nil (2020: £0.08 million). Of this amount, £nil (2020: £nil) was capitalised or recharged to joint venture partners and £nil (2020: £0.08) was charged to the income statement.

Executive Director Retention Plan (EDRP)

The total charge for the year was £nil (2020: £nil). Of this amount, £nil (2020: £nil) was capitalised and £nil (2020: £nil) was charged to the income statement.

Other share-based payments

Detailed disclosure of other share-based payments is in the Group consolidated financial statements note 25.

Share Incentive Plan (SIP)

The total charge for the year was £nil (2020: £nil). Of this amount, £nil (2020: £nil) was capitalised and £nil (2020: £nil) was charged to the income statement.

Merger reserve

The merger reserve arose as a result of a reverse acquisition on 31 December 2007 whereby Island Gas Limited (IGL) became a wholly owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the ordinary share capital of the Company. The reserve represents the difference in the fair value and the nominal value of the shares issued. The reserve is not distributable.

Parent Company Financial Statements – Notes

for the year ended 31 December 2021 continued

13 Related party transactions

(a) With Group companies

A summary of the transactions in the year is as follows:

	2021 £000	2020 £000
Amounts due from/(to) subsidiaries:		
At 1 January	27,261	20,159
Services performed (for)/by subsidiary	396	61
Net cash advances	(1,986)	1,056
Group loan interest	8,258	8,281
Allowance for credit loss	(7,749)	(6,073)
Revaluations	(1,091)	3,777
At 31 December	25,089	27,261
	31 December 2021 £000	31 December 2020 £000
Amounts due from subsidiary undertakings (note 4)	22,938	18,516
Amounts due to subsidiary undertakings (note 6)	(147,555)	(140,452)
Loans to Group companies (note 2)	149,706	149,197
Total	25,089	27,261

Payment terms for balances due to or from subsidiaries are as mutually agreed between the Group's companies. The payment terms in respect of loans are detailed in note 2.

(b) With Directors

Key management as defined by IAS 24 – Related Party Disclosures are those persons having authority and responsibility for planning, controlling and directing the activities of the Company. In the opinion of the Board, the Company's key management are the Directors of the Company. Information regarding their compensation is given in the Directors' Remuneration Report.

14 Subsequent events

On 26 January 2022, the Group issued 144,232 ordinary £0.00002 shares in relation to the Group's SIP scheme. The shares were issued at £0.1455 resulting in share premium of £20,983.

Oil and Gas Reserves

as at 31 December 2021

The Group's estimate of proved plus probable reserves at 31 December 2021 is based on an independent evaluation of IGas's conventional oil and gas interests prepared by D&M, a leading international reserves and resources auditors. Proved reserves are estimated reserves that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years under existing economic and operating conditions, while probable reserves are estimated reserves determined to be more likely than not to be recoverable in future years under existing economic and operating conditions.

All of the Group's oil and gas assets are located in the United Kingdom.

Group proved plus probable reserves

	Oil mmbbls	Gas Bcf	Total mmboe
At 1 January 2021	15.51	9.38	17.12
Additions during the year	—	—	—
Revision of previous estimates	(0.60)	(0.17)	(0.62)
Production	(0.64)	(0.42)	(0.71)
Total change during the year	(1.24)	(0.59)	(1.33)
At 31 December 2021	14.27	8.79	15.79

IGas Onshore UK Licence Interests

Licence	Fields	Area km ²	IGas interest	Operator	Other partners
East Midlands					
AL 009	Dunholme	9	100%	IGas	
ML 3	Egmanton	26	100%	IGas	
ML 4	Gainsborough, Beckingham, Corringham, Glentworth	72	100%	IGas	
ML 6	Bothamsall	11	100%	IGas	
ML 7	South Leverton	11	100%	IGas	
PEDL 006	Cold Hanworth	136	100%	IGas	
PEDL 012		33	55%	IGas	INEOS
PEDL 139		100	32%	IGas	INEOS, Egdon, Ecorp
PEDL 140		142	32%	IGas	INEOS, Egdon, Ecorp
PEDL 169		62	80%	IGas	Egdon
PEDL 210	Hemswell	116	75%	IGas	INEOS
PEDL 273		194	55%	IGas	Egdon, INEOS
PEDL 278		38	50%	IGas	Egdon
PEDL 305		143	55%	IGas	Egdon, INEOS
PEDL 316		111	55%	IGas	Egdon, INEOS
PL 178	West Beckingham	2	100%	IGas	
PL 179	Welton, Stainton, Nettleham, Scampton South, Scampton North, East Glentworth	107	100%	IGas	
PL 199	Nettleham	4	100%	IGas	
PL 220	Long Clawson, Rempstone	13	100%	IGas	
Weald Basin					
DL 002	Stockbridge	10	100%	IGas	
DL 004	Albury	14	100%	IGas	
ML 18	Bletchingley	8	100%	IGas	
ML 21	Bletchingley	9	100%	IGas	
PEDL 021	Goodworth	50	100%	IGas	
PEDL 070	Avington	18	54%	IGas	Egdon, Aurora, UKOG, Corfe
PEDL 235	Godley Bridge	100	100%	IGas	
PEDL 257	Lingfield	28	100%	IGas	
PEDL 326		95	100%	IGas	
PL 182	Palmers Wood	55	100%	IGas	
PL 205	Storrington	18	100%	IGas	
PL 211	Horndean	27	90%	IGas	UKOG
PL 233	Stockbridge	58	100%	IGas	
PL 240	Singleton	46	100%	IGas	
PL 249	Stockbridge	16	100%	IGas	

Licence	Fields	Area km ²	IGas interest	Operator	Other partners
North West					
EXL 273		48	15%	INEOS	
PEDL 145		74	40%	INEOS	
PEDL 147		89	25%	IGas	INEOS
PEDL 184		286	50%	IGas	INEOS
PEDL 189		100	25%	IGas	INEOS
PEDL 190		94	50%	IGas	INEOS
PEDL 193		296	40%	INEOS	
PEDL 293		200	30%	INEOS	
PEDL 295		200	30%	INEOS	
Scotland					
P 1270	Lybster	16	100%	IGas	
PEDL 158	Lybster	46	100%	IGas	

Glossary

£	The lawful currency of the United Kingdom
\$	The lawful currency of the United States of America
1P	Low estimate of commercially recoverable reserves
2P	Best estimate of commercially recoverable reserves
3P	High estimate of commercially recoverable reserves
1C	Low estimate or low case of Contingent Recoverable Resource quantity
2C	Best estimate or mid case of Contingent Recoverable Resource quantity
3C	High estimate or high case of Contingent Recoverable Resource quantity
AIM	AIM market of the London Stock Exchange
BCF	Billions of standard cubic feet of gas
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
CCC	Committee on Climate Change
Contingent Recoverable Resource	Contingent Recoverable Resource estimates are prepared in accordance with the Petroleum Resources Management System (PRMS), an industry recognised standard. A Contingent Recoverable Resource is defined as discovered potentially recoverable quantities of hydrocarbons where there is no current certainty that it will be commercially viable to produce any portion of the contingent resources evaluated. Contingent Recoverable Resources are further divided into three status groups: marginal, sub-marginal, and undetermined. IGas's Contingent Recoverable Resources all fall into the undetermined group. Undetermined is the status group where it is considered premature to clearly define the ultimate chance of commerciality.
GIIP	Gas initially in place
m	Million
Mbbl	Thousands of barrels
MMboe	Millions of barrels of oil equivalent
MMscfd	Millions of standard cubic feet per day
mmstb	Million stock tank barrels of oil
NBP	National balancing point – a virtual trading location for the sale and purchase and exchange of UK natural gas
NBV	Net Book Value
PEDL	United Kingdom petroleum exploration and development licence
PL	Production licence
RoSPA	Royal Society for the Prevention of Accidents
TCF	Trillions of standard cubic feet of gas
UK	United Kingdom

General Information

Directors

C McDowell – Interim Non-executive Chairman
S Bowler – Chief Executive Officer
P Jackson – Non-executive
T Kumar – Non-executive
C Hopkinson – Non-executive
K Coppinger – Non-executive

Company Secretary

Thamala Perera Schuetze

Nominated Adviser and Joint Broker

Investec Bank plc

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London, EC2V 7QP

Joint Broker

Canaccord Genuity Limited

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London, EC2V 7QR

Registrar

Computershare Investor Services plc

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Independent Auditors

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London, WC2N 6RH

Banker

Barclays Bank

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