

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

For the year ended 31 July 2014

Company registration number 5217946

Europa Oil & Gas (Holdings) plc

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

Contents

Highlights	1
Chairman's statement	2
Strategic report – Operations and development.....	4
Strategic report – Operations.....	6
Strategic report – Risks and uncertainties.....	10
Directors' report.....	11
Statement of directors' responsibilities.....	13
Report of the independent auditor.....	14
Consolidated statement of comprehensive income	16
Consolidated statement of financial position	17
Consolidated statement of changes in equity	18
Company statement of financial position	19
Company statement of changes in equity	20
Consolidated statement of cash flows	21
Company statement of cash flows	22
Notes to the financial statements	23
Directors and advisers.....	46

Highlights

Operational highlights

- Produced 165 boepd from three UK onshore fields
- Completed 3D seismic acquisition programme offshore Ireland, completed seismic processing and commenced prospect mapping
- Received a favourable judgment at the Court of Appeal for Holmwood planning
- Spudded the Wressle well on 19 July 2014
- Extended PEDL181 licence to 30 June 2015, obtained drill site and submitted planning application for Kiln Lane well
- Renewed Béarn des Gaves permit to 22 March 2017
- Renewed Tarbes val d'Adour permit to 18 January 2015
- Raised £3.7 million net proceeds via a placing and oversubscribed open offer
- Disposed of Romanian subsidiary for a nominal sum

Financial performance

- Group revenue of £3.9 million (2013: £4.5 million)
- Pre-tax profit from continuing operations excluding exploration write-off and impairment of £0.5 million (2013: £0.7 million)
- Pre-tax loss from continuing operations of £0.7 million (2013: profit £0.5 million), after a £1.2 million impairment against the West Firsby field
- Post-tax profit for the year £0.6 million (2013: loss £0.1 million)
- Cash generated from continuing operations £1.4 million (2013: £1.7 million)
- Net cash balance as at 31 July 2014 £4.5 million (31 July 2013: £0.7 million)

Post reporting date events

- Kiln Lane well submitted for EA permitting, main well contracts being awarded
- Announced that the Wressle well found 30 metres of potential hydrocarbon pay, production testing to commence later in 2014
- Application submitted to extend the Tarbes val d'Adour permit to at least 2018

Chairman's statement

Europa is an exploration and production company with a portfolio of multi-stage projects in three core areas: onshore UK; offshore Ireland; and onshore France. The year under review saw Europa commence a multi-well programme focused on proving up our prospect inventory via the drill bit. We have embarked on an exciting phase in the development of our Company, one which, subject to the results, could see us deliver on our objective to build a top quartile AIM company in terms of market capitalisation.

Our drilling campaign got off to a good start in July with the Wressle-1 exploration well in East Lincolnshire, which was targeting a 2.1 mmbo conventional oil prospect, finding hydrocarbons. The stratigraphy encountered during drilling were in line with our pre-drill geological forecast and formation evaluation from log data indicated the presence of reservoirs that may contain hydrocarbons with sufficient porosity and permeability to flow at commercial rates. In all, over 30 metres of potential hydrocarbon pay have been identified in three main intervals. Testing is now required to determine if we have made a commercial discovery and this is scheduled to commence later this year.

Wressle will be followed by the drilling of the 2.9 mmbo Kiln Lane prospect on the neighbouring PEDL181 licence. Kiln Lane is a larger prospect than Wressle and a discovery on this previously undrilled licence would open up a new conventional oil and gas play and significantly de-risk additional leads identified on the licence. These additional leads would then become strong candidates for follow-up drilling. Furthermore, despite being a conventional oil exploration well, Kiln Lane may also provide information with which to assess any unconventional hydrocarbon prospectivity elsewhere in this large 540 km² licence.

Needless to say, we are keen to drill more wells onshore UK and, subject to the results of Wressle and Kiln Lane, 2015 could see us undertake further drilling on already identified prospects on these licences. In addition, we will be participating in the upcoming 14th Onshore (Landward) Oil and Gas Licensing Round. Still in the UK, following favourable rulings by both the Court of Appeal and the High Court in relation to drilling a temporary exploratory well at the Holmwood prospect on the PEDL143 licence, we remain hopeful that we may be in a position to drill within the next 12 months, subject to a favourable determination by the Planning Inspectorate at a planning inquiry and available funding. PEDL143 is located in the Weald Basin, Surrey and with mean gross un-risked prospective resources of 5.6 mmbo, as estimated in a CPR published in June 2012, and with a one in three chance of success we rate Holmwood as being one of the best undrilled conventional prospects onshore in the UK.

While a discovery in the UK would result in a significant increase in our production generated revenues, our offshore Ireland and onshore France licences are the potential company-makers in our portfolio due to the size of the prospectivity identified. Here too considerable progress has been and continues to be made with regards to drilling these large prospects. In the South Porcupine Basin Offshore Ireland, where we previously mapped billion barrel prospects using historic 2D data, a 1,500 km² 3D seismic acquisition programme over our two licences was completed by the operator, Kosmos Energy, in October 2013. Kosmos are due to deliver a new prospect inventory based on this new data in Q4 2014. Upon receipt, Europa will commission an independent Competent Person's Report covering our Irish licences. Whilst Kosmos have made no commitment to drill yet they have begun preparatory work to enable them to use the Atwood Achiever drillship in Ireland and subject to the quality of the prospect inventory could elect to drill a first well offshore Ireland in 2016. Under the terms of our farm-out agreement, Europa's share of drilling costs for a first exploration well on each licence would be funded by Kosmos subject to a cap of either US\$90 million in FEL 2/13 and or US\$110 million in FEL 3/13. In our view an election to drill on our licences offshore Ireland is a value-trigger event. We estimate the minimum economic prospect size to be 100±20 mmbbls so if Kosmos do elect to drill, Europa will have a carried 15% interest targeting company-making volumetrics.

Chairman's statement (continued)

In France, both our onshore licences were successfully renewed during the year under review. Europa holds 100% interests in the Béarn des Gaves ("Béarn") and Tarbes val d'Adour ("Tarbes") permits, located in the proven Aquitaine Basin. Of the two, Béarn is the potential company-maker thanks to the 107 bcf Berenx Shallow gas prospect and the 500+ bcf Berenx Deep gas appraisal project. Since the permit was renewed in October 2013 we have continued to obtain and reprocess seismic and enhance our geological model which has further refined the shallow and deep prospectivity. Whilst the mean unrisks resources of the shallow prospect are now 107 bcf, the resultant prospect is more robust and has enhanced technical credibility. Having augmented our model and upgraded the prospectivity, we have re-engaged with interested parties. In tandem with this process, we continue to advance well planning and permitting to drill the shallow prospect so that drilling operations can commence at the earliest opportunity. We have submitted an application to extend the Tarbes permit and discussions with a potential partner are ongoing.

During the period we exited the UK PEDL150 licence, and disposed of our Romanian subsidiary for a nominal sum.

Financials

For the third consecutive year, our three UK onshore fields hit their twelve month production target, this year producing an average of 165 boepd and generating £3.9 million in revenues (2013: 182 boepd and £4.5 million). As these are mature fields, production is in long-term decline but thanks to our active field management programme we have improved operational performance, resulting in lower costs. Cash generated from continuing operations for the year was £1.4 million (2013: £1.7 million).

In January, we completed a placing of shares and an oversubscribed open offer to existing shareholders which together raised £3.7 million after expenses. We also collected a £0.3 million cash payment from Kosmos in connection with their farm-in to our Ireland licences. In total our cash balances at the period end stood at £4.5 million (2013: £0.7 million).

We have recorded a £1.2 million (2013: nil) impairment of the West Firsby field which arises from the lower assumed production rates used in the cash flow model.

The sale of our Romanian subsidiary allowed the write-back of a £0.6 million VAT creditor.

Outlook

We have one well in the UK about to undergo production testing, another well on course to commence in Q4 2014, and anticipate a new prospect inventory and CPR for offshore Ireland, which we expect will confirm the company-making potential of our licences. In addition, we are working to secure a farm-out for our 100% owned French permits. We will be participating in the upcoming UK and Irish licensing rounds, and we will continue to evaluate new projects and ventures that match our investment criteria. With all this activity in mind, shareholders can look forward to an exciting year ahead; one which we are confident will result in significant value creation, as we focus on monetising and growing our high quality asset base.

I was delighted to announce the appointment of Colin Bousfield to the Board in February. His extensive track record in securing debt and equity finance for oil and gas operating companies of all sizes, as well as his successful tenure as CFO for Composite Energy, makes Colin a valuable addition to our team.

Finally, I would like to thank the management, operational teams, the Board and advisers for their hard work and also our shareholders for their continued support over the year.

WH Adamson, Chairman

3 October 2014

Strategic report - Our strategy

1. Generate substantial shareholder value by finding and producing oil and gas
2. Actively manage the exploration portfolio and make informed technical and commercial decisions on project progression.
3. Manage risk to maximize shareholder value
4. Exit projects at the point of maximum value for investors
5. Onshore Europe, North Atlantic and the Mediterranean are our principle areas of interest.

Strategic report - Our key performance indicators

Financial KPIs

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

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

Non-financial KPIs

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

Strategic report – Operations and development

The principal activity of the Group is investment in oil and gas exploration, development and production. The Group's assets and activities are located in the United Kingdom, Ireland and France. The Board has considered and will continue to consider investments in onshore Europe, North Atlantic and the Mediterranean.

Country	Area	Licence	Field/ Prospect	Operator	Equity	Status
UK	East Midlands	DL 003	West Firsby	Europa	100%	Production
		DL 001	Crosby Warren	Europa	100%	Production
		PL 199/215	Whisby-4	BPEL	65%	Production
		PEDL180	Wressle	Egdon	33%	Exploration
		PEDL181	Kiln Lane	Europa	50%	Exploration
		PEDL182	Broughton	Egdon	33%	Exploration
	Weald	PEDL143	Holmwood	Europa	40%	Exploration
Ireland	Porcupine	FEL 2/13	Mullen	Kosmos	15%	Exploration
		FEL 3/13	Kiernan	Kosmos	15%	Exploration
France	Aquitaine	Béarn des Gaves	Berenx (deep and shallow)	Europa	100%	Exploration
		Tarbes val d'Adour		Europa	100%	Exploration

Making progress across our business

Wressle

Spud date 19 Jul 2014

The Wressle-1 exploration well, targeting a conventional prospect estimated by the operator to hold mean gross un-risked recoverable resources of 2.1 mmbo, was spudded on 19 July 2014. The well reached a total depth of 2,240 metres (1,814 metres TVDSS) on 23 August 2014 and discovered hydrocarbons. The well will be production tested later in 2014.

Kiln Lane

Planning is proceeding on plan for the Kiln Lane exploration well. A drillsite has been leased, the planning application has been submitted with a decision due in Q4 2014, the EA mining waste permit has been submitted with a decision due in Q4 2014, all drilling services have been tendered and contracts awards will be made in Q4 2014. Subject to planning approval siteworks will commence in Q4 2014.

Strategic report – Operations

Ireland

Exploration - Porcupine Basin Frontier Exploration Licences ('FELs') 2/13 and 3/13 - Europa (15%); Kosmos (85% and operator)

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

Europa's interpretation of pre-existing 2D seismic identified two previously unknown prospects in the Lower Cretaceous stratigraphic play: Mullen in FEL 2/13 and Kiernan in FEL 3/13. The Company estimates these to have gross mean un-risked indicative resources of 482 million barrels of oil and 1.6 billion barrels of oil equivalent respectively (see press releases dated 6 November 2012 and 16 January 2013 for further information).

Under the terms of the farm-in, Kosmos fully funded the costs of a 3D seismic programme over both FELs and for which acquisition was completed in October 2013 and final processed data delivered in April 2014. Kosmos has advised that a new prospect inventory based on the interpretation and mapping of the 3D data will be completed and delivered to Europa in Q4 2014. Upon receipt of this, Europa will commission a CPR to provide a third party assessment of the prospectivity of the two licence blocks. The 3D seismic is a highly significant first step towards realising the hydrocarbon potential of the basin and has the potential to substantially de-risk the prospects, particularly if features like conformance, flat events and AVO anomalies are observed on the data.

It is anticipated that the indicative resources previously provided to the market will change according to the vastly improved prospect mapping arising from the state of the art 3D data now available over the licences. We nevertheless expect that the prospect sizes will remain large to very large and the quantum of resources is likely to be hundreds of millions of barrels. We also anticipate that the geological risk will be significantly reduced from the 1 in 10 previously assigned based on the historic 2D seismic as we mature prospects to drillable status with the new 3D data.

Subject to the results of the prospect inventory, Kosmos may elect to drill a well as early as 2016 and in which Europa will have a 15% carried interest. Under the terms of the farm-out, Kosmos will incur 100% of the costs of the first exploration well on each licence. The first exploration wells on FEL 2/13 and FEL 3/13 have investment caps of US\$90 million and US\$110 million respectively. Costs in excess of the investment cap would be shared between Kosmos (85%) and Europa (15%).

The technical insights that Europa continues to gain from its work in the South Porcupine Basin provides a competitive edge that the directors will seek to exploit through participation in the 2015 Atlantic Margin Licensing Round that opened in June 2014.

France

Béarn des Gaves 100%

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

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

Strategic Report – Operations (continued)

France (continued)

Béarn des Gaves 100% (continued)

Thorough re-evaluation and interpretation of existing seismic and well data on the permit has resulted in the definition of a new shallow gas prospect, Berenx Shallow. Previous exploration on the concession had focused only on the deep gas prospectivity. A comprehensive review of historic well results, the recent discovery of previously missing seismic data by the French authorities, together with a substantial seismic reprocessing project has delivered a re-interpretation of structure and better understanding of proven hydrocarbon bearing reservoir distribution in the shallow Cretaceous and Late Jurassic carbonate sediments. This has resulted in a stronger technical interpretation and the resultant prospect is more robust and has enhanced technical credibility Europa has confirmed the Berenx Shallow gas prospectivity and suggests potential gross mean un-risked resources of 107 bcf.

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

On 3 October 2013, the permit was successfully renewed for a period of five years from 22 March 2012 and carries an expenditure commitment of approximately €2.5 million. A farm-out process for the permit is currently underway in tandem with well planning and permitting for a well location on Berenx Shallow ahead of drilling in the next 18 months. A wellsite has been identified and a lease has been prepared. Scoping economics suggests a value of US\$11.5 boe and NPV10 of US\$170 million therefore the Directors believe that exploration success at Berenx Shallow would be a company maker for Europa.

Tarbes val d'Adour 100%

Europa holds a 100% interest in the Tarbes val d'Adour permit ("Tarbes"), in the proven Aquitaine Basin, onshore France. We received notification during the reporting period that the permit was extended for three years from 18 January 2012 until 18 January 2015. Tarbes contains several oil accumulations that were previously licensed by Elf but were abandoned in 1985 due to a combination of technical issues and low oil prices. Two fields, Jacque and Osmets, were drilled using vertical wells which generated modest production levels and as a result Tarbes is classified as an appraisal project. A farm-out process has been launched, discussions with a potential partner are ongoing and an application to extend the permit to at least 2018 has been submitted to the French authorities.

United Kingdom

NE Lincolnshire - PEDL180 33.3% (Wressle)

PEDL180 covers an area of 100 km² of the East Midlands Petroleum Province 5 km southeast of the Europa operated Crosby Warren field which has been producing oil for 28 years. Europa has a 33.3% working interest in the block with its partners Egdon Resources (operator, 25%), Celtique Energie Petroleum Ltd (33.3%) and Union Jack Oil (8.3%).

The Wressle-1 conventional exploration well spudded on 19 July 2014 targeting a conventional prospect estimated by the operator to hold mean gross un-risked recoverable resources of 2.1 mmbo. The well reached a total depth of 2,240 metres (1,814 metres TVDSS) on 23 August 2014.

Both the stratigraphy and reservoir horizons encountered by the well were in accordance with the pre-drill geological forecast which was based on 49 km² of 3D seismic acquisition acquired in 2012. Preliminary petro-physical evaluation of MWD (measurement whilst drilling) log data has indicated that hydrocarbons with sufficient porosity and permeability to flow at commercial rates are present. In all, over 30 metres measured thickness of potential hydrocarbon pay has been identified in three main intervals: Penistone Flags with up to 19.8 metres measured thickness (15.9 metres vertical thickness) of potential hydrocarbon pay; Wingfield Flags with up to 5.6 metres measured thickness (5.1 metres vertical thickness) of potential hydrocarbon pay; and Ashover Grit with up to 6.1 metres measured thickness (5.8 metres vertical thickness) of potential hydrocarbon pay. Elevated mud gas readings were observed over large parts of the interval from the top of the Penistone Flags reservoir target (1,831 metres MD) to TD.

Strategic Report – Operations (continued)

United Kingdom (continued)

NE Lincolnshire - PEDL180 33.3% (Wressle, continued)

The three reservoirs will be further evaluated by well testing to define fluid type(s), reservoir properties, production rates and commerciality. The well has been completed with a 4 ½” liner to enable selective and sequential testing of the intervals as part of an extended well test, for which planning consent is already in place. Test operations using a work-over rig are expected to commence later this year.

NE Lincolnshire - PEDL182 33.3% (Broughton)

PEDL182 covers an area of 40 km². The Broughton prospect was previously drilled by BP and flowed oil. The May 2012 Competent Person’s Report (“CPR”) estimated the Broughton prospect to hold mean gross un-risked recoverable resources of 1.85 mmbo. Broughton is located on trend with the producing Crosby Warren oil field and the Wressle prospect on PEDL180. Subject to the results of the planned production test of the Wressle–1 exploration well, the partners may elect to drill the Broughton prospect.

NE Lincolnshire - PEDL181 50% (Kiln Lane)

Europa has a 50% interest in and is the operator of the PEDL181 licence, with Egdon Resources UK Limited and Celtique Energie Petroleum Ltd, each holding a 25% interest. PEDL181 is located in the Carboniferous petroleum play and covers an area of over 540 km² in the Humber Basin.

The licence has good potential for conventional oil and gas and unusually for the East Midlands Petroleum Province has never been previously drilled. The licence is located in a working hydrocarbon system where a number of discoveries have been made along the Brigg-Broughton anticline, including Europa’s existing oil production at the Crosby Warren field at the westernmost end of the anticline.

Technical evaluation has confirmed several conventional prospects and leads in PEDL181. Four of these in the southern part of the licence were the focus of a 78 km 2D seismic acquisition programme that was completed in April 2013. Reprocessing of 150 km² of existing 3D seismic data together with processing of the new data resulted in the maturing of a drill ready prospect, Kiln Lane, with gross un-risked prospective resources of 2.9 mmboe. In January 2014 a one year extension to the licence to June 2015 was secured and that will enable an exploration well to be drilled at Kiln Lane later this year. A drillsite has been leased and both the planning and EA Mining Waste Permit applications have been submitted and are being processed by the relevant authorities.

In addition to the conventional prospectivity the Humber basin may also have unconventional hydrocarbon potential. Interpretation of the new seismic data suggests that this basin may contain a much thicker sequence of Namurian age sediments than was previously thought. The content of this sedimentary package in the Humber basin is not known. The Namurian section in the Gainsborough Trough, located some 25 km to the west of PEDL181 has been drilled and is known to host the Bowland Shale which has well-documented potential for shale gas. It is possible that the Namurian section in the Humber basin may contain a Bowland Shale equivalent with similar potential to be both the source rock for the conventional hydrocarbons in the licence area, and perhaps also have some potential for unconventional hydrocarbons.

Dorking area - PEDL143 40% (Holmwood)

The PEDL143 licence covers an area of 92 km² of the Weald Basin, Surrey. Europa is the operator and has a 40% working interest in the licence with partners Egdon Resources (38.4%), Altwood Petroleum (1.6%), and Warwick Energy (20%). The Holmwood prospect is a conventional Jurassic sandstone reservoir with a low geological risk. The May 2012 CPR estimated Holmwood to hold gross mean recoverable resources of 5.64 mmbo. Europa considers Holmwood to be one of the best undrilled conventional exploration prospects in the UK.

Strategic Report – Operations (continued)

United Kingdom (continued)

Dorking area - PEDL143 40% (Holmwood, continued)

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

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

Lincolnshire area - PEDL150 100% (Hykeham)

During the year the Group completed the abandonment of the Hykeham well and relinquished the licence.

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

The three UK fields produced an average of 165 boepd (2013: 182 boepd) during the year under review, the third consecutive year the full year production target was met. We recorded a £1.2 million impairment of the West Firsby field arising from lower production rates used in the cash flow projections and in accordance with the predicted decline forecast for the field.

Unconventional resources - Shale Gas

As previously noted PEDL181 may have some potential for shale gas.

Romania

In July 2014, the Company announced the completion of the sale of its entire holding in the issued share capital of the Romanian subsidiary Europa Oil & Gas SRL for a nominal sum. The subsidiary held interests in onshore concessions in Romania which had been relinquished, or were in the process of receiving government approval for such relinquishment. The assets were written down to nil value in the Group's financial statements for the year to 31 July 2012. The sale marks the termination of the Company's involvement in Romania.

Results for the year

The Group loss for the year after taxation from continuing activities was £368,000 (2013 loss: £54,000). The profit on discontinued activities was £933,000 (2013: loss £47,000).

Conclusion

Having commenced our drilling programme in July with the Wressle well, we are working hard to build and maintain a pipeline of drilling activity across our asset base. We are already funded to drill the Kiln Lane prospect in Q4 2014 and, subject to an election to drill by Kosmos, we have a free carry for two high impact wells, one on each of our licences offshore Ireland, the first of which could be drilled as early as 2016. On-going farm-out discussions for our two 100% owned French licences could lead to further drilling and in anticipation of this we are already progressing with well permitting and planning for the 107 bcf Shallow gas prospect on Béarn des Gaves and are extending the Tarbes val d'Adour permit. A number of potential follow-up prospects have been identified across our licences and success with the drill bit could lead to several of these being fast tracked for drilling. In the meantime we continue to look to acquire new licences and projects either through ground floor licensing rounds or corporate activity. I look forward to providing updates on our progress.

Hugh Mackay, CEO

3 October 2014

Strategic report – Risks and uncertainties

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

Key risk	Description and impact	Mitigation
Funding	<p>Significant expenditure is required to establish the extent of oil and gas reserves through seismic surveys and drilling and there can be no certainty that oil and gas reserves will be found. The exploration and development of oil and gas assets may be curtailed, delayed or cancelled by unusual or unexpected geological formation pressures, hazardous weather conditions or other factors.</p> <p>Licences may be revoked by the relevant issuing authority if commitments under those licences are not met. Further details of current licence commitments are given in notes 11 and 24.</p>	<p>Detailed cash forecasts are prepared frequently and reviewed by management and the Board.</p> <p>The Group's production provides a monthly inflow of cash and is the main source of working capital and project finance. Additional cash is available through a £700,000 overdraft facility and the placing of Europa shares in the market.</p>
Commodity price and foreign exchange	<p>Each month's oil production is sold at a small discount to Brent price in US Dollars. These funds are matched where possible against expenditures within the business. As most capital and operating expenditures are Sterling denominated, US Dollars are periodically sold to purchase Sterling. A fall in oil price could make some projects economically unviable.</p> <p>All oil production is sold to one UK based refinery – if they were to stop buying Europa's crude, additional transportation costs would be incurred.</p>	<p>The Board has considered the use of financial instruments to hedge oil price and US Dollar exchange rate movements. To date, the Board has not hedged against price or exchange rate movements, but intends to regularly review this policy.</p>
Exploration, drilling and operational risk	<p>The business of exploration and production of oil and gas involves a high degree of risk. Few prospects that are explored are ultimately developed into producing oil and gas fields.</p> <p>Securing planning consent for onshore wells takes times and the outcome of planning applications is not certain.</p> <p>There are numerous risks inherent in drilling and operating wells, many of which are beyond the Company's control. Operations may be curtailed, delayed or cancelled as a result of environmental hazards, industrial accidents, occupational and health hazards, technical failures, shortage or delays in the delivery of rigs and other equipment, labour disputes and compliance with governmental requirements.</p> <p>Drilling may involve unprofitable efforts, not only with respect to dry wells, but also to wells which, though yielding some oil or gas, are not sufficiently productive to justify commercial development. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.</p>	<p>Current production comes from 6 oil wells located at 3 different sites. This diversity of producing assets gives Europa resilience in the event of a problem with one well, or site.</p> <p>Appropriate insurance cover is obtained annually for all of Europa's exploration, development and production activities.</p>

On behalf of the Board

P Greenhalgh, Finance Director
3 October 2014

Directors' report

Business review

A detailed review of the Group's business is set out in the Chairman's statement (page 2) and Strategic report (page 4).

Future developments

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

Dividends

The directors do not recommend the payment of a dividend (2013: £nil).

Directors and their interests

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

	Number of ordinary shares		Number of ordinary share options	
	2014	2013	2014	2013
WH Adamson	724,419	575,000	500,000	500,000
CW Ahlefeldt-Laurvig ¹	25,502,442	25,502,442	-	-
C Bousfield	-	-	500,000	-
RJHM Corrie ²	413,470	87,500	500,000	500,000
P Greenhalgh	387,640	250,000	3,075,000	3,075,000
HGD Mackay	2,340,883	860,823	6,600,000	6,600,000

1. CW Ahlefeldt-Laurvig holds his shares through HSBC Global Custody Nominee (UK) Limited.
2. RJHM Corrie has interest in 297,235 shares held directly, plus 62,500 shares held by Corrie Limited, of which Mr Corrie is a director and 53,735 shares held via a 50% interest in RT Property Investments Limited.

In addition to their interest in the ordinary shares of the Company, WH Adamson, C Bousfield and RJHM Corrie hold stock options. These options were awarded in connection with their appointment to the Board and full details of the options are included in note 22. The Board has listened to comments raised by certain investors and discussed the subject with advisers. Whilst recognising that the granting of options to non-executive directors is contrary to the principles of the UK corporate governance code the Board considers that the quantum of options granted is not so significant as to raise any issue concerning the independence of these directors. In addition, the Board wishes to retain the ability to grant stock options to non-executive directors in future.

Details of the vesting conditions of the directors' stock options are included in note 22.

Directors' interests in transactions

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

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

Directors' report (continued)

Financial instruments

See note 1 and note 23 to the financial statements.

Related party transactions

See note 26 to the financial statements.

Post reporting date events

See note 27 to the financial statements.

Capital structure and going concern

Further details on the Group's capital structure are included in note 21. Comments on going concern are included in note 1.

Accounting policies

A full list of accounting policies is set out in note 1 to the financial statements. The Group has not made any material changes to its accounting policies in the year to 31 July 2014.

Disclosure of information to the auditor

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

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

Auditor

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

On behalf of the Board

P Greenhalgh, Finance Director
3 October 2014

Statement of directors' responsibilities

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

Report of the independent auditor

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

We have audited the financial statements of Europa Oil and Gas (Holdings) plc for the year ended 31 July 2014 which comprise the consolidated statement of comprehensive income, the consolidated and Company statement of financial position, the consolidated and Company statement of changes in equity, the consolidated and Company statement of cashflows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 July 2014 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Report of the independent auditor (continued)

Matters on which we are required to report by exception

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

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

Scott Knight, Senior Statutory Auditor
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
3 October 2014

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

Consolidated statement of comprehensive income

For the year ended 31 July

	Note	2014 £000	2013 £000
Revenue	2	3,878	4,503
<i>Other cost of sales</i>	2	(2,301)	(2,954)
<i>Exploration write-off</i>	11	-	(231)
<i>Impairment of producing fields</i>	12	(1,203)	-
Total cost of sales		(3,504)	(3,185)
Gross profit		374	1,318
Administrative expenses		(832)	(671)
Finance income	6	20	15
Finance expense	7	(244)	(208)
(Loss)/profit before taxation	3	(682)	454
Taxation credit /(charge)	9	314	(508)
Loss for the year from continuing operations		(368)	(54)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	8	933	(47)
Profit/(loss) for the year attributable to the equity shareholders of the parent		565	(101)
Other comprehensive (loss)/income			
Those that may be reclassified to profit and loss:			
Recycling of foreign currency translation reserve on disposal of operations		(417)	-
Exchange gain arising on translation of foreign operations		-	37
Total comprehensive income/(loss) for the year attributable to the equity shareholders of the parent		148	(64)
Earnings/(Loss) per share (EPS/LPS) attributable to the equity shareholders of the parent	Note	Pence per share	Pence per share
Basic and diluted LPS from continuing operations	10	(0.21)p	(0.04)p
Basic and diluted EPS/ (LPS) from discontinued operations	10	0.53p	(0.03)p
Basic and diluted EPS/(LPS) from continuing and discontinued operations	10	0.32p	(0.07)p

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 31 July

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Intangible assets	11	3,553	2,446
Property, plant and equipment	12	3,046	4,383
Total non-current assets		6,599	6,829
Current assets			
Inventories	14	32	33
Trade and other receivables	15	456	928
Cash and cash equivalents		4,501	672
		4,989	1,633
Other current assets			
Assets classified as held for sale	16	-	338
Total assets		11,588	8,800
Liabilities			
Current liabilities			
Trade and other payables	17	(970)	(1,227)
Current tax liabilities		(220)	(541)
Derivative	17	(35)	(48)
Short-term borrowings	18	(22)	(208)
Short-term provisions	20	(4)	(290)
Total current liabilities		(1,251)	(2,314)
Non-current liabilities			
Long-term borrowings	18	(164)	-
Deferred tax liabilities	19	(2,371)	(2,902)
Long-term provisions	20	(1,959)	(1,681)
Total non-current liabilities		(4,494)	(4,583)
Total liabilities		(5,745)	(6,897)
Net assets		5,843	1,903
Capital and reserves attributable to equity holders of the parent			
Share capital	21	2,049	1,379
Share premium		14,080	13,160
Merger reserve	21	2,868	2,868
Foreign exchange reserve		-	417
Retained deficit		(13,154)	(15,921)
Total equity		5,843	1,903

These financial statements were approved by the Board of directors and authorised for issue on 3 October 2014 and signed on its behalf by:

P Greenhalgh, Finance Director
Company registration number 5217946

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

Attributable to the equity holders of the parent

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Retained deficit	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 August 2012	1,379	13,160	2,868	380	(15,972)	1,815
Loss for the year attributable to the equity shareholders of the parent	-	-	-	-	(101)	(101)
Other comprehensive income for the year	-	-	-	37	-	37
Share based payment (note 22)	-	-	-	-	152	152
Balance at 31 July 2013	1,379	13,160	2,868	417	(15,921)	1,903
	£000	£000	£000	£000	£000	£000
Balance at 1 August 2013	1,379	13,160	2,868	417	(15,921)	1,903
Issue of share capital (net of costs, note 21)	670	920	-	-	2,120	3,710
Profit for the year attributable to the equity shareholders of the parent	-	-	-	-	565	565
Other comprehensive loss for the year	-	-	-	(417)	-	(417)
Share based payment (note 22)	-	-	-	-	82	82
Balance at 31 July 2014	2,049	14,080	2,868	-	(13,154)	5,843

The accompanying notes form part of these financial statements.

Company statement of financial position

As at 31 July		2014 £000	2013 £000
	Note		
Assets			
Non-current assets			
Intangible assets	11	1,248	1,028
Property, plant and equipment	12	346	14
Investments	13	3,326	3,320
Total non-current assets		4,920	4,362
Current assets			
Other receivables	15	52	354
Cash and cash equivalents		1,549	54
		1,601	408
Other current assets			
Assets classified as held for sale	16	-	338
Total assets		6,521	5,108
Liabilities			
Current liabilities			
Trade and other payables	17	(193)	(186)
Derivative	17	(35)	(48)
Short-term borrowing	18	(22)	(208)
Total current liabilities		(250)	(442)
Non-current liabilities			
Long-term borrowings	18	(164)	-
Total non-current liabilities		(164)	-
Total liabilities		(414)	(442)
Net assets		6,107	4,666
Capital and reserves attributable to equity holders of the parent			
Share capital	21	2,049	1,379
Share premium		14,080	13,160
Merger reserve	21	2,868	2,868
Retained deficit		(12,890)	(12,741)
Total equity		6,107	4,666

These financial statements were approved by the Board of directors and authorised for issue on 3 October 2014 and signed on their behalf by:

P Greenhalgh
Finance Director
Company registration number 5217946

The accompanying notes form part of these financial statements.

Company statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2012	1,379	13,160	2,868	(14,099)	3,308
Total comprehensive income for the year	-	-	-	1,206	1,206
Share based payment (note 22)	-	-	-	152	152
Balance at 31 July 2013	<u>1,379</u>	<u>13,160</u>	<u>2,868</u>	<u>(12,741)</u>	<u>4,666</u>
	£000	£000	£000	£000	£000
Balance at 1 August 2013	1,379	13,160	2,868	(12,741)	4,666
Issue of share capital (net of costs, note 21)	670	920	-	2,120	3,710
Total comprehensive loss for the year	-	-	-	(2,351)	(2,351)
Share based payment (note 22)	-	-	-	82	82
Balance at 31 July 2014	<u>2,049</u>	<u>14,080</u>	<u>2,868</u>	<u>(12,890)</u>	<u>6,107</u>

The accompanying notes form part of these financial statements

Consolidated statement of cash flows

For the year ended 31 July	Note	2014 £000	2013 £000
Cash flows from operating activities			
Loss after tax from continuing operations		(368)	(54)
Adjustments for:			
Share based payments	22	82	152
Depreciation	12	475	578
Exploration write-off	11	-	231
Impairment of property, plant & equipment	12	1,203	-
Finance income	6	(20)	(15)
Finance expense	7	244	208
Taxation (credit)/charge	9	(314)	508
Decrease in trade and other receivables		184	621
Decrease in inventories		1	23
Decrease in trade and other payables		(60)	(535)
Cash generated from continuing operations		1,427	1,717
Profit /(loss) after taxation from discontinued operations		933	(47)
Adjustments for:			
Profit on disposal		(1,034)	-
Cash used in discontinued operations	8	(101)	(47)
Income tax payment		(537)	(84)
Net cash from operating activities		789	1,586
Cash flows from investing activities			
Purchase of property, plant and equipment		(3)	(5)
Purchase of intangible assets		(514)	(1,020)
Receipt of back costs in connection with farm-in		300	-
Expenditure on well decommissioning		(363)	(51)
Interest received		6	-
Net cash used in investing activities		(574)	(1,076)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		3,710	-
Repayment of borrowings		(22)	(22)
Finance costs		(25)	(34)
Net cash from/(used in) financing activities		3,663	(56)
Net increase in cash and cash equivalents		3,878	454
Exchange loss on cash and cash equivalents		(49)	(12)
Cash and cash equivalents at beginning of year		672	230
Cash and cash equivalents at end of year		4,501	672

The accompanying notes form part of these financial statements.

Company statement of cash flows

For the year ended 31 July		2014 £000	2013 £000
Cash flows from operating activities	Note		
(Loss)/profit after tax from continuing operations		(2,296)	1,240
Adjustments for:			
Share based payments		76	148
Depreciation	12	9	10
Transfer costs to intangibles		-	11
Movement in intercompany loan		2,971	(1,591)
Finance income		(885)	(321)
Finance expense		9	214
Decrease in trade and other receivables		1	7
Increase in trade and other payables		2	23
Cash used in continuing activities		<u>(113)</u>	<u>(259)</u>
Loss after tax from discontinued operations		(55)	(34)
Cash used in discontinued activities	8	<u>(55)</u>	<u>(34)</u>
Net cash used in operating activities		<u>(168)</u>	<u>(293)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(3)	(2)
Purchase of intangible assets		(226)	(2)
Receipt for licence back costs in connection with farm-in		300	-
Movement on loan to Group companies		(2,078)	376
Interest received		3	-
Net cash (used in)/ from investing activities		<u>(2,004)</u>	<u>372</u>
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		3,710	-
Repayment of borrowings		(22)	(22)
Finance costs		(23)	(29)
Net cash from/ (used in) financing activities		<u>3,665</u>	<u>(51)</u>
Net increase in cash and cash equivalents		1,493	28
Exchange gain/ (loss) on cash and cash equivalents		2	(1)
Cash and cash equivalents at beginning of year		<u>54</u>	<u>27</u>
Cash and cash equivalents at end of year		<u>1,549</u>	<u>54</u>

The accompanying notes form part of these financial statements.

Notes to the financial statements

1

Accounting Policies

General information

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

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

Basis of accounting

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

The accounting policies that have been applied in the opening statement of financial position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 July 2014.

Going concern

In their assessment of going concern the directors note that the Group is dependent on the existing bank facility in place. The current facility is due to expire in January 2015. Based on correspondence with the Group's bankers the directors have no reason to believe that the facility will not be renewed on the same or similar acceptable terms in an appropriate timescale. Therefore given this expectation and the continuing cash inflow from the Group's producing assets the directors have concluded, at the time of approving the financial statements, that there is a reasonable expectation, based on the Group's cash flow forecasts, that the Group can continue in operational existence for the foreseeable future, which is deemed to be at least 12 months from the date of signing these financial statements. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Future changes in accounting standards

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

		Effective date
IFRS 13	Fair Value Measurement	1 Jan 2013
IAS 19	Employee Benefits	1 Jan 2013

The following are amendments to existing standards and new standards which may apply to the Group in future accounting periods. Except for the disclosure requirements of IFRS 9 and IFRS 10, which the directors are continuing to assess, none of the following are considered to affect the Company.

		Effective date (periods beginning on or after)
IFRS 9	Financial instruments	1 Jan 2018
IFRS 10	Consolidated Financial Statements	1 Jan 2014
IFRS 11	Joint Arrangements	1 Jan 2014
IFRS 12	Disclosure of Interests with Other Entities	1 Jan 2014
IAS 27	Separate Financial Statements	1 Jan 2014
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2014
IAS 36	Recoverable Amount Disclosures for non-Financial Assets	1 Jan 2014
IFRS 15	Revenue from Contracts with Customers	1 Jan 2017

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its material subsidiary undertakings drawn up to 31 July 2014. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Intra Group balances are eliminated on consolidation. Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group is engaged in oil and gas exploration, development and production through unincorporated joint ventures. The accounting for the Group's share of the results and net assets of these joint arrangements is described below.

Revenue Recognition

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

Non-current assets

Oil and gas interests

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

Pre-production assets

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

Production assets

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

Impairment tests

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

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Non-current assets (continued)

Property, plant and equipment

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

Depreciation

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

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

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

Reserves

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

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

Future decommissioning costs

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

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

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Taxation

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

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

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

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

Foreign currency

The Group and Company prepare their financial statements in Sterling.

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

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

The monetary assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the reporting date. Income and expenses are translated at monthly average rates providing there is no significant change in the month. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the foreign exchange reserve in equity. On disposal of a foreign operation the cumulative translation differences are transferred to the statement of comprehensive income as part of the gain or loss on disposal.

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

Investments

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

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Financial instruments

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

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

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

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

Fair value through profit or loss.

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

Other financial liabilities.

Include the following items:

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

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

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

Leased assets

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

Assets held for sale

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

Treatment of finance costs

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

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Defined contribution pension schemes

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

Inventories

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

Joint ventures

Joint ventures are those ventures in which the Group holds an interest on a long-term basis which are jointly controlled by the Group and one or more venturers under a contractual arrangement. When these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests in accordance with IAS 31. The Group's exploration, development and production activities are presently conducted jointly with other companies in this way.

Share-based payments

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

Accounting judgements and estimates:

- Carrying value of intangible assets (note 11) – carrying values are justified by reference to future estimates of reserves and costs to extract, discounted at appropriate rates.
- Carrying value of property, plant and equipment (note 12) – carrying values are justified by reference to future estimates of cash flows, discounted at appropriate rates.
- Deferred taxation (note 19) – assumptions regarding future rates of taxation and the future profitability of the Group.
- Decommissioning provision (note 20) – inflation and discount rate estimates are used in calculating the provision, along with third party estimates of remediation costs.
- Share-based payments (note 22) – various estimates, referenced to external sources where possible, are used in determining the fair value of options.

Notes to the financial statements (continued)

2 Operating segment analysis

In the opinion of the directors the Group has three reportable segments as reported to the chief operating decision maker, being the UK, Ireland, and France. Results for Romania and North Africa are included and the Group had interests in these locations previously.

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

Income statement for the year ended 31 July 2014

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

Segmental assets and liabilities as at 31 July 2014

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

Notes to the financial statements (continued)

2 Operating segment analysis (continued)**Income statement for the year ended 31 July 2013**

	UK	Ireland	Romania	France	North Africa	Total
	£000	£000	£000	£000	£000	£000
Continuing operations						
Revenue	4,503	-	-	-	-	4,503
<i>Other cost of sales</i>	(2,954)	-	-	-	-	(2,954)
<i>Exploration write-off</i>	-	-	-	(231)	-	(231)
<i>Impairment of producing fields</i>	-	-	-	-	-	-
Cost of sales	(2,954)	-	-	(231)	-	(3,185)
Gross profit	1,549	-	-	(231)	-	1,318
Administrative expenses	(777)	-	-	(9)	115	(671)
Finance costs	(193)	-	-	-	-	(193)
Profit before tax	579	-	-	(240)	115	454
Taxation	(508)	-	-	-	-	(508)
Loss for the year from continuing operations	71	-	-	(240)	115	(54)
Discontinued operations						
Loss for the year from discontinued operations	-	-	(47)	-	-	(47)
Profit/(loss) for the year	71	-	(47)	(240)	115	(101)

Segmental assets and liabilities as at 31 July 2013

	UK	Ireland	Romania	France	North Africa	Total
	£000	£000	£000	£000	£000	£000
Non-current assets	5,788	85	-	956	-	6,829
Current assets	1,595	-	38	-	-	1,633
Held for sale assets	338	-	-	-	-	338
Total assets	7,721	85	38	956	-	8,800
Non-current liabilities	(4,583)	-	-	-	-	(4,583)
Current liabilities	(1,546)	-	(768)	-	-	(2,314)
Total liabilities	(6,129)	-	(768)	-	-	(6,897)
Other segment items						
Capital expenditure	551	309	-	165	-	1,025
Depreciation	578	-	-	-	-	578
Share based payments	152	-	-	-	-	152

100% of the total revenue (2013: 100%) relates to UK based customers. Of this figure, one single customer (2013: one) commands more than 99% of the total.

Notes to the financial statements (continued)

3 (Loss)/profit before taxation

(Loss)/profit from continuing operations is stated after charging:

		2014	2013
		£000	£000
Depreciation on property, plant & equipment	12	475	578
Staff costs including directors	5	1,055	1,181
Exploration write-off	11	-	231
Impairment of property, plant and equipment	12	1,203	-
Fees payable to the auditor for the audit		43	41
Fees payable to the auditor for taxation services		6	8
Operating leases – land and buildings	25	39	38
Amount of inventory recognised as an expense		1	23
Foreign exchange		50	21
		<u>50</u>	<u>21</u>

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes. The loss dealt with in the financial statements of the parent Company is £2,351,000 (2013: profit £1,206,000).

4 Directors' emoluments

Directors' salaries and fees

		2014	2013
		£000	£000
WH Adamson		40	40
CW Ahlefeldt-Laurvig		25	25
C Bousfield (appointed 10 February 2014)		13	-
RJHM Corrie		25	25
P Greenhalgh		160	177
HGD Mackay		206	234
		<u>469</u>	<u>501</u>

Directors' pensions

P Greenhalgh		20	18
HGD Mackay		6	-
		<u>26</u>	<u>18</u>

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

Directors' share based payments

		2014	2013
		£000	£000
WH Adamson		3	8
C Bousfield (appointed 10 February 2014)		5	-
P Greenhalgh		11	36
HGD Mackay		28	96
		<u>47</u>	<u>140</u>

The above represents the accounting charge in respect of stock options. No share options were exercised during the period (2013: none).

Notes to the financial statements (continued)

4 Directors' emoluments (continued)

Directors' total emoluments	2014 £000	2013 £000
Salaries and fees	469	501
Social security costs	59	64
Pensions	26	18
Share based payments	47	140
	<u>601</u>	<u>723</u>

5 Employee information

Average monthly number of employees including directors

	2014 Number	2013 Number
Management and technical	9	8
Field exploration and production	5	5
	<u>14</u>	<u>13</u>

Staff costs

	2014 £000	2013 £000
Wages and salaries (including Director's emoluments)	826	864
Social security	103	110
Pensions	63	55
Share based payment (note 22)	63	152
	<u>1,055</u>	<u>1,181</u>

Total staff costs for the Company were £801,000 (2013: £915,000). The charge for share based payments recorded in the Consolidated statement of changes in equity includes £19,000 (2013: nil) in respect of share options granted to finnCap in connection with the 10 January 2014 share issue.

6 Finance income

	2014 £000	2013 £000
Bank interest received	7	-
Interest rate swap fair value credit (note 23)	13	15
	<u>20</u>	<u>15</u>

7 Finance expense

	2014 £000	2013 £000
Bank interest payable	11	21
Loan interest payable	4	4
Unwinding of discount on decommissioning provision (note 20)	168	153
Exchange rate losses	51	21
Bank charges	10	9
	<u>244</u>	<u>208</u>

Notes to the financial statements (continued)

8 Discontinued operations

	2014	2013
	£000	£000
Reduction in VAT creditor	617	-
Movement in foreign exchange reserve	417	-
Administrative expenses	(101)	(47)
	<u>933</u>	<u>(47)</u>

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

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

	2014	2013
	£000	£000
Cash used in operating activities	(101)	(47)
	<u>(101)</u>	<u>(47)</u>

9 Taxation

	2014	2013
	£000	£000
Current tax liability	217	540
Deferred tax asset (note 19)	-	14
Release deferred tax liability (note 19)	(531)	(46)
Tax (credit)/ charge	<u>(314)</u>	<u>508</u>

UK corporation tax is calculated at 30% (2013: 30%) of the estimated assessable profit for the year being the applicable rate for a ring-fence trade excluding the Supplementary Charge of 32% (2013: 32%). Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2014	2013
	£000	£000
(Loss)/profit on continuing activities per the accounts	(682)	454
Profit/(loss) on discontinued operations	933	(47)
Total profit before tax	<u>251</u>	<u>407</u>

Tax reconciliation

(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2013: 30%)	75	122
Non taxable income	(280)	-
Expenses not deductible for tax purposes	386	115
Other reconciling items including Supplementary Charge in the UK	(495)	271
Total tax (credit)/charge	<u>(314)</u>	<u>508</u>

10 Earning/(Loss) per share

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

As the Group made a loss from continuing operations in both the current and prior years, any potentially dilutive instruments are considered to be anti-dilutive. Therefore the diluted LPS is equal to the basic LPS. As at 31 July 2014 there were 14,016,626 (2013: 11,685,000) potentially dilutive instruments in issue.

Notes to the financial statements (continued)

10 Earning/(Loss) per share (continued)

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

	2014 £000	2013 £000
Loss after tax from continuing operations	(368)	(54)
Profit/(loss) for the year from discontinued operations	933	(47)
Profit/(loss) for the year attributable to the equity shareholders of the parent	<u>565</u>	<u>(101)</u>
Weighted average number of shares		
For the purposes of basic and diluted EPS/ LPS	174,551,189	137,855,504

11 Intangible assets

Intangible assets - Group	2014 £000	2013 £000
At 1 August	2,446	2,127
Additions	1,107	550
Exploration write-off	-	(231)
At 31 July	<u>3,553</u>	<u>2,446</u>

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

	2014 £000	2013 £000
France (Béarn des Gaves permit)	1,083	950
Ireland	165	78
UK PEDL143	519	463
UK PEDL180	842	315
UK PEDL181	729	429
UK PEDL182	215	211
Total	<u>3,553</u>	<u>2,446</u>
Exploration write-off		
France (Tarbes val d'Adour permit)	-	231
Total	<u>-</u>	<u>231</u>

Certain of the UK exploration licences carry well commitments in 2015. If the Group elects to continue with these licences, it will need to fund the drilling of wells by raising funds or by farming down. If the Group is not able to raise funds or farm down, or elects not to continue in the licences, then the impact on the financial statements will be the impairment of some or all of the intangible assets disclosed above. Further details of the commitments are included in note 24.

Intangible assets - Company

	2014 £000	2013 £000
At 1 August	1,028	-
Additions – Transferred from group company	-	1,023
Additions	220	5
At 31 July	<u>1,248</u>	<u>1,028</u>

Licence interests relating to France and Ireland were transferred to the Company from a subsidiary in 2013, as the legal party to the licences is the Company.

Notes to the financial statements (continued)

11 Intangible assets (continued)

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

	2014	2013
	£000	£000
France (Béarn des Gaves permit)	1,083	950
Ireland	165	78
Total	1,248	1,028

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

	Furniture & computers £000	Leasehold building £000	Producing fields £000	Total £000
Cost				
At 1 August 2012	43	-	10,785	10,828
Additions	2	-	-	2
At 31 July 2013	45	-	10,785	10,830
Additions	3	-	-	3
Transfer from assets held for resale	-	437	-	437
At 31 July 2014	48	437	10,785	11,270
Depreciation, depletion and impairment				
At 1 August 2012	21	-	5,848	5,869
Charge for year	10	-	568	578
At 31 July 2013	31	-	6,416	6,447
Charge for year	9	-	466	475
Impairment in year	-	-	1,203	1,203
Transfer from assets held for resale	-	99	-	99
At 31 July 2014	40	99	8,085	8,224
Net Book Value				
At 31 July 2012	22	-	4,937	4,959
At 31 July 2013	14	-	4,369	4,383
At 31 July 2014	8	338	2,700	3,046

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

The carrying value of each producing field was tested for impairment by comparing the carrying value with the value in use. The value in use was calculated using a discounted cash flow model using a production decline rate of 7%, Brent crude price of US\$110 per barrel, an assumption of no future tax losses being available and a discount rate of 10%. Cash flows were projected over the expected life of the fields which is expected to be longer than 5 years.

There was an impairment of £1,203,000 relating to the West Firsby site but no impairment at the Crosby Warren site or in respect of the Whisby W4 well (2013: no impairments). The main reason for the impairment of the West Firsby site was a lower assumed oil production rate.

Notes to the financial statements (continued)

12 Property, plant and equipment (continued)

Property, plant & equipment – Group (continued)

Sensitivity to key assumption changes

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

	Impairment of producing fields £000
Production decline rate (current assumption 7%)	
10%	492
15%	1,599
Brent crude price (current assumption US\$110 per barrel)	
US\$100 per barrel	468
US\$90 per barrel	960

Property, plant and equipment - Company

	Furniture & computers £000	Long leasehold Building £000	Total £000
Cost			
At 1 August 2012	43	-	43
Additions	2	-	2
At 31 July 2013	45	-	45
Additions	3	-	3
Transfer from assets held for resale	-	437	437
At 31 July 2014	48	437	485
Depreciation			
At 1 August 2012	21	-	21
Charge for the year	10	-	10
At 31 July 2013	31	-	31
Charge for year	9	-	9
Transfer from assets held for resale	-	99	99
At 31 July 2014	40	99	139
Net Book Value			
At 31 July 2012	22	-	22
At 31 July 2013	14	-	14
At 31 July 2014	8	338	346

The Abingdon property was vacated and put up for sale in 2012. At that time, the net book value was transferred from non-current to current assets. As at 31 July 2014, sale of the property was not considered likely, as a contract was being negotiated to sublease the property. As a result, the cost has been transferred back into non-current assets. The property loan of £186,000 (2013: £208,000) described in note 18 is secured against this building.

13 Investments - Company

Investment in subsidiaries

	2014 £000	2013 £000
At 1 August	3,320	3,316
Current year additions	6	4
31 July	3,326	3,320

Notes to the financial statements (continued)

13 Investments – Company (continued)

The Company's investments at the reporting date in the share capital of unlisted companies include 100% of each of Europa Oil & Gas Limited (this company undertakes oil and gas exploration, development and production); Europa Oil & Gas (West Firsby) Limited, Europa Oil & Gas (Ireland West) Limited and Europa Oil & Gas (Ireland East) Limited (these three companies are non-trading). All four companies are registered in England and Wales.

The results of the four companies have been included in the consolidated accounts. Europa Oil & Gas Limited owns 100% of the ordinary share capital of each of Europa Oil & Gas Resources Limited (this UK company is non-trading) and Europa Oil & Gas SRL registered in Romania (this company was sold in July 2014).

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

14 Inventories - Group

	2014 £000	2013 £000
Oil in tanks	32	33

15 Trade and other receivables

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Current trade and other receivables				
Trade receivables	328	760	-	299
Other receivables	44	90	6	8
Prepayments	84	78	46	47
	<u>456</u>	<u>928</u>	<u>52</u>	<u>354</u>

Loans to subsidiaries have been fully written down in the Company accounts.

16 Assets classified as held for sale

In January 2012 the Group relocated its head office from Abingdon to London. The vacated long leasehold property in Abingdon was classified as an asset held for sale. At the year end a contract to sublease the property was being negotiated, and as a result the net book value of the property has been transferred back into non-current assets. The property loan of £186,000 (2013: £208,000) described in note 18 is secured against this building and will be repaid over the term of the mortgage.

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Property, plant & equipment				
Cost at 1 August	437	437	437	437
Transferred to non-current assets	(437)	-	(437)	-
Cost at 31 July	<u>-</u>	<u>437</u>	<u>-</u>	<u>437</u>
Depreciation at 1 August	99	99	99	99
Transferred to non-current assets	(99)	-	(99)	-
Depreciation at 31 July	<u>-</u>	<u>99</u>	<u>-</u>	<u>99</u>
Net Book Value at 31 July	<u>-</u>	<u>338</u>	<u>-</u>	<u>338</u>

Notes to the financial statements (continued)

17 Trade and other payables

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade payables	368	417	75	67
Other payables	10	16	-	-
Accruals	592	794	118	119
	<u>970</u>	<u>1,227</u>	<u>193</u>	<u>186</u>
Derivative liability				
Interest rate swap	<u>35</u>	<u>48</u>	<u>35</u>	<u>48</u>

Group other payables includes advances received from partners on projects in UK. More information on the interest rate swap is included in note 23.

18 Borrowings

The Royal Bank of Scotland (RBS) multi-currency facility was renewed on 18 February 2014. The facility, which provides an overdraft of up to £700,000, was not in use at either 31 July 2014 or 31 July 2013. The facility is due to be renewed on 31 January 2015.

The loan of £186,000 (2013: £208,000) secured against the Abingdon property is repayable over 10 years. As the property has been transferred out of assets held for sale, the loan has been split into current and non current liabilities (2013: all of the loan was reported as a current liability).

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
<u>Loans repayable in less than 1 year</u>				
Property loan	22	208	22	208
Total short-term borrowing	<u>22</u>	<u>208</u>	<u>22</u>	<u>208</u>
<u>Loans repayable in 1 to 2 years</u>				
Property loan	23	-	23	-
Total loans repayable in 1 to 2 years	<u>23</u>	<u>-</u>	<u>23</u>	<u>-</u>
<u>Loans repayable 2 to 5 years</u>				
Property loan	72	-	72	-
Total loans repayable in 2 to 5 years	<u>72</u>	<u>-</u>	<u>72</u>	<u>-</u>
<u>Loans repayable after 5 years</u>				
Property loan	69	-	69	-
Total loans repayable after 5 years	<u>69</u>	<u>-</u>	<u>69</u>	<u>-</u>
Total long-term borrowing	<u>164</u>	<u>-</u>	<u>164</u>	<u>-</u>

Notes to the financial statements (continued)

19 Deferred Tax – Group

Recognised deferred tax liability:	2014	2013
	£000	£000
As at 1 August	2,902	2,948
Credited to statement of comprehensive income	(531)	(46)
At 31 July	<u>2,371</u>	<u>2,902</u>

The Group has a net deferred tax liability of £2,371,000 (2013: £2,902,000) arising from accelerated capital allowances.

Unrecognised deferred tax asset:	2014	2013
	£000	£000
Accelerated capital allowances	(374)	(312)
Trading losses	3,524	3,625
Net deferred tax asset	<u>3,150</u>	<u>3,313</u>

The Group has a net deferred tax asset of £3,150,000 (2013: £3,313,000), which arises mainly in relation to non ring-fence UK trading losses of £11.6 million (2013: £11.3 million) and Company losses of £0.1 million (2013: £0.8 million), that have not been recognised in the accounts as the timing of the utilisation of the losses is considered uncertain.

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

20 Provisions – Group

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

Work on the decommissioning of the Barchiz and Hykeham wells was completed in the year and costs were written against the provision. Provision for the decommissioning of the Wressle well was classified as short term as it is not yet known if the well will be productive.

Short-term provisions	2014	2013
	£000	£000
As at 1 August	290	-
Transferred from long-term provisions	-	422
Utilised in year - Hykeham	(266)	-
Utilised in year - Barchiz	(20)	(132)
At 31 July	<u>4</u>	<u>290</u>

Long-term provisions	2014	2013
	£000	£000
As at 1 August	1,681	1,950
Charged to statement of comprehensive income (note 7)	168	153
Provided for - Wressle	110	-
Transferred to short-term provisions	-	(422)
At 31 July	<u>1,959</u>	<u>1,681</u>

No provisions have been recognised in the Company.

Notes to the financial statements (continued)

21 Called up share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
204,883,024 ordinary shares of 1p each (2013: 137,855,504)	<u>2,049</u>	<u>1,379</u>

On 10 January 2014 the Company issued 47,694,665 ordinary shares via a placing at 6p raising £2,597,000 net of costs.

On 21 January 2014 the Company issued 19,332,855 ordinary shares at 6p via an open offer raising £1,113,000 net of costs.

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

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

In 2005, the Company issued 39,999,998 ordinary shares of 1p at a nil premium in exchange for the entire shareholding of Europa Oil & Gas Limited. This gave rise to the merger reserve at 31 July 2014 of £2,868,000 (2013: £2,868,000).

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

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

22 Share based payments

There are 14,016,626 ordinary 1p share options outstanding (2013: 11,685,000). These are held by certain members of the Board: WH Adamson 500,000; C Bousfield 500,000; RJHM Corrie 500,000; P Greenhalgh 3,075,000; HGD Mackay 6,600,000, employees of the Group 1,450,000, and advisors 1,391,626.

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

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

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

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

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

Notes to the financial statements (continued)

22 Share based payments (cont'd)

The inputs used to determine the values of the 3,410,000 options granted in 2013 are detailed in the table below:

Grant date	24 Oct 2012	24 Oct 2012
Number of options	610,000	2,800,000
Share price at grant	7.6p	7.6p
Exercise price	10p	10p
Volatility	90%	90%
Dividend yield	nil	nil
Risk free investment rate	0.88%	0.73%
Option life (years)	6	5
Fair value per share	5.01p	3.70p

Based on the fair values above, the charge arising from employee share options was £63,000 (2013: £152,000) and the charge relating to non-employee share options granted in connection with the 10 January 2014 share issue was £19,000 (2013: £nil)

In the year 2,331,626 options were granted and no options were expired, forfeited or exercised (2013: 3,410,000 options were granted, and none were expired, forfeited or exercised).

	2014 Number of options	2014 Average exercise price	2013 Number of options	2013 Average exercise price
Outstanding at the start of the year	11,685,000	13.58p	8,275,000	15.05p
Granted	2,331,626	7.17p	3,410,000	10p
Expired	-	-	-	-
Outstanding at the end of the year	14,016,626	12.51p	11,685,000	13.58p
Exercisable at the end of the year	12,503,289	12.87p	3,024,999	18.75p

The weighted average remaining contractual life of share options outstanding at the end of the period was 6.4 years (2013: 7.7 years).

23 Financial instruments

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

Credit risk

The Group is exposed to credit risk as all crude oil production is sold to one multinational oil company. The customer is invoiced monthly for the oil delivered to the refinery in the previous month and invoices are settled in full on the 15th of the following month. At 31 July 2014 trade receivables were £328,000 representing one month of oil revenue (2013: £760,000 representing one month of oil revenue of £460,000 and other receivables due from the Irish licence joint venture partner of £300,000). The fair value of trade receivables and payables approximates to their carrying value because of their short maturity. Any surplus cash is held on short-term deposit with Royal Bank of Scotland. The maximum credit exposure in the year was £374,000 (2013: £459,000).

The Company exposure to third party credit risk is negligible. All intercompany balances have been fully provided

Notes to the financial statements (continued)

23 Financial instruments (continued)

Liquidity risk

Though the Group has the benefit of a regular revenue stream, there is still a need for bank financing. The Company has in place a £700,000 flexible multi-currency facility with its bankers which can be utilised in either Sterling or foreign currency via an overdraft. At the year end there was no overdraft (2013: no overdraft).

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

	Trade and other receivables £000	Trade and other payables £000	Derivative at fair value £000	Short-term borrowings £000	Long-term borrowings £000
At 31 July 2014					
6 months or less	372	(970)	(4)	(11)	-
6-12 months	-	-	(4)	(11)	-
1-2 years	-	-	(7)	-	(23)
2-5 years	-	-	(15)	-	(72)
Over 5 years	-	-	(5)	-	(69)
Total	372	(970)	(35)	(22)	(164)
At 31 July 2013					
6 months or less	850	(1,227)	(5)	-	-
6-12 months	-	-	(5)	(208)	-
1-2 years	-	-	(9)	-	-
2-5 years	-	-	(20)	-	-
Over 5 years	-	-	(9)	-	-
Total	850	(1,227)	(48)	(208)	-

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

	Trade and other receivables £000	Trade and other payables £000	Derivative at fair value £000	Short-term borrowings £000	Long-term borrowings £000
At 31 July 2014					
6 months or less	6	(193)	(4)	(11)	-
6-12 months	-	-	(4)	(11)	-
1-2 years	-	-	(7)	-	(23)
2-5 years	-	-	(15)	-	(72)
Over 5 years	-	-	(5)	-	(69)
Total	6	(193)	(35)	(22)	(164)
At 31 July 2013					
6 months or less	307	(186)	(5)	-	-
6-12 months	-	-	(5)	(208)	-
1-2 years	-	-	(9)	-	-
2-5 years	-	-	(20)	-	-
Over 5 years	-	-	(9)	-	-
Total	307	(186)	(48)	(208)	-

Notes to the financial statements (continued)

23 Financial instruments (continued)**Liquidity risk (continued)**

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

Trade and other payables do not normally incur interest charges. There is no difference between the fair value of the trade and other payables and their carrying amounts. Borrowings bear interest at variable rates, except for the property loan of £186,000 (2013: £208,000) which was swapped for a fixed rate of interest.

Interest rate risk

The Group has interest bearing liabilities as described in note 18. The £700,000 multi-currency facility is secured over the assets of Europa Oil & Gas (Holdings) plc and Europa Oil & Gas Limited. Interest is charged on the multi-currency facility at base rate plus 3%.

A loan of £186,000 (2013: £208,000) is secured over a long lease property and is repayable over 10 years, although it will be fully repaid on sale of the property. At the time of the purchase of the property in 2007, the Company considered it prudent to enter into an interest rate swap which fixed the interest rate for the life of the loan (until May 2022) at 5.52%. The fair value of the swap at 31 July 2014 was £35,000 (2013: £48,000) and this has been recorded as a current liability of the Company. The table below shows the sensitivity of the swap to changes in interest rates. There would be a corresponding charge or credit to the statement of comprehensive income.

Fair value of swap

Long-term forward Sterling base rate	2014 £000	2013 £000
1%	42	49
3%	23	27
5%	5	6

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

Commodity price risk

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

Oil price	Month	Price 2014 US\$/bbl	PBT 2014 £000	Price 2013 US\$/bbl	PBT 2013 £000
Highest	Sep 13	110.3	(590)	114.7	746
Average		107.7	(682)	107.6	454
Lowest	July 14	105.1	(777)	100.4	158

Foreign exchange risk

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

Notes to the financial statements (continued)

23 Financial instruments (continued)**Foreign exchange risk (continued)**

		2014	2014	2013	2013
		Rate	PBT	Rate	PBT
US Dollar	Month	US\$/£	£000	US\$/£	£000
Highest	Jun 14	1.710	(819)	1.617	307
Average		1.650	(682)	1.563	454
Lowest	Aug 13	1.553	(442)	1.516	591

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

		Group		Company	
Currency	Item	2014	2013	2014	2013
		£000	£000	£000	£000
Euro	Cash and cash equivalents	5	6	5	6
	Trade and other payables	(58)	(61)	(29)	(3)
US Dollar	Cash and cash equivalents	642	8	53	-
	Trade and other receivables	500	636	-	-
	Trade and other payables	(25)	(2)	(2)	(2)
Total		<u>1,064</u>	<u>587</u>	<u>27</u>	<u>1</u>

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being the consolidated shareholder equity (note 21) and bank borrowings (note 18). The Board monitors the level of capital as compared to the Group's long-term debt commitments and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders. The Group is not subject to any externally imposed capital requirements.

24 Capital commitments and guarantees

At the reporting date, Europa had contractual commitments to drill up to 3 wells onshore UK. In PEDL181, Kiln Lane is expected to be drilled in 2014 and Europa is able to fund this from existing resources. Wells at PEDL143 (Holmwood) and PEDL182 (Broughton) would be subject to planning approval and detailed prospect mapping are not currently funded (see note 11). Europa's share of total costs on these 3 wells is expected to be £3.7 million. At Béarn des Gaves, Europa has a commitment to spend £2 million by 2017, which is not currently funded.

25 Operating lease commitments

Europa Oil & Gas Limited pays an annual site rental for the land upon which the West Firsby and Crosby Warren oil field facilities are located. The West Firsby lease runs until September 2022 and can be terminated upon giving 2 months notice. The annual cost is currently £19,000 (2013: £18,000) and increases annually in line with the retail price index. The Crosby Warren lease runs until December 2022 and can be terminated on 3 months' notice. The annual cost is currently £20,000 (2013: £20,000).

26 Related party transactions

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

At the reporting date there were no balances owed by subsidiary companies to the Company (2013: zero). In 2012 balances owed to the Company amounting to £8,250,000 were written off to the Income statement.

Notes to the financial statements (continued)

26 Related party transactions (cont'd)

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

	2014 £000	2013 £000
Europa Oil & Gas Limited	1,173	1,040
Europa Oil & Gas SRL	54	34
Europa Oil & Gas Resources Limited	-	1
Total	<u>1,227</u>	<u>1,075</u>

During the year, the Company increased the provision for the intercompany loan to Europa Oil & Gas Limited by £2,971,000 (2013: £1,591,000).

27 Post reporting date events

The Kiln Lane well has been submitted for planning and EA permitting.

The Wressle well found 30 metres of potential hydrocarbon pay, production testing will commence later in 2014

Directors and advisers

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