

ISLE OF MAN - COMPANY NUMBER 6969V  
ENGLAND AND WALES - COMPANY NUMBER FC022829

**TomCo Energy plc**

**Annual report and financial statements 2014**

# Board of Directors and Company Information

## **Isle of Man**

### **Company number**

6969V

## **England and Wales**

FC022829

## **Country of incorporation**

*Isle of Man*

## **Board of Directors**

Sir Nicholas Bonsor – non-executive chairman

Paul Rankine – chief executive officer

Miikka Haromo – finance director

## **Secretary and Registered Office**

Stuart J Adam CPFA, Chartered MCSI

2<sup>nd</sup> Floor

Sixty Circular Road

Douglas

Isle of Man IM1 1AE

## **Nominated adviser and broker**

Shore Capital & Corporate Limited

Bond Street House

14 Clifford Street

London W1S 4JU

## **Registrars**

Computershare Investor Services plc

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

## **Auditors**

BDO LLP

55 Baker Street

London W1U 7EU

## **Solicitors**

Gowlings (UK) LLP

125 Old Broad Street

London EC2N 1AR

## **Bankers**

Barclays Bank plc

One Churchill Place

London E14 5HP

Chase Bank

9100 S Redwood Road

West Jordan

UT 84088

USA

## Directors' report

The Directors submit their report and the financial statements of the Company and of the Group for the year ended 30 September 2014.

### Principal activity

The principal activity of the Group is that of developing oil shale leases for future production.

### Risk assessment

The Group's oil and gas activities are subject to a range of financial and operational risks which can significantly impact on its performance.

#### *Operational risk*

The Group has obtained resource assessments in relation to its oil shale leases, the latest of which shows 126 million barrels of oil in surface mineable JORC Measured Resource.

TomCo has entered into a license with Red Leaf Resources Inc ("Red Leaf"), which developed and owns the patents to the EcoShale™ extraction process, to use this unique and environmentally sensitive technology to extract oil from the Group's leases. Having built and tested a pilot plant in 2008 and completed its permitting for the Seep Ridge project, Red Leaf has started construction of a one-off Early Production System ("EPS") capsule, which is 75% of the planned full scale commercial capsules used to produce 9,800 barrels of oil per day (bopd), to demonstrate scalability of the process and economic viability of its Utah projects. The technology produced by Red Leaf is currently unique within the marketplace and until extraction commences, the viability of this technology will not be determinable. Once the viability of this technology has been determined, the Group intends to build and operate a similar EcoShale™ plant on its Holliday Block lease in Utah.

#### *Environmental, health and safety and other regulatory standards*

The Group's future extraction activities are subject to various federal and state laws and regulations relating to the protection of the environment including the obtaining of appropriate permits and approvals by relevant environmental authorities. Such regulations typically cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. Furthermore, the future introduction or enactment of new laws, guidelines and regulations could serve to limit or curtail the growth and development of the Group's business or have an otherwise negative impact on its operations. The Group ensures it complies with the relevant laws and regulations in force in the jurisdictions in which it operates.

#### *Liquidity and interest rate risks*

The Group is ultimately dependent on sources of equity or debt funding to develop its exploration assets and meet its day to day capital commitments. Cash forecasts identifying the liquidity requirements of the Group are produced frequently. These are reviewed regularly by management and the Board to ensure that sufficient financial headroom exists for at least a twelve month period. This strategy will continually be reviewed in the light of developments with existing projects and new project opportunities as they arise.

#### *Currency risk*

Due to the limited income and expenses denominated in foreign currencies, it was not considered cost effective to manage transactional currency exposure on an active basis. However, as the financial statements are reported in sterling, any movements in the exchange rate of foreign currencies against sterling may affect the Group's statements of comprehensive income and financial position. The Group holds some cash in US dollars to mitigate the foreign exchange risk.

#### *Financial instruments*

The Group holds an investment in Red Leaf. There is a risk that in the future this investment falls in value and the Group is unable to realise its accounting value. TomCo continues to monitor the progress of Red Leaf and in the event that the value is deemed by the Group to have declined, an impairment will be recognised. No such impairment has occurred to date. Further details can be found in Note 12.

It was not considered an appropriate policy for the Group to enter into any hedging activities or trade in any financial instruments. Further information can be found in Note 20.

### Results and dividends

The statement of comprehensive income is set out on page 8. The Directors do not propose the payment of a dividend (2013: £Nil).

The Group made no charitable or political donations in the year (2013: £Nil).

# Directors' report

## Review of the key events during the year

### Oil Shale

In January 2014, the Group submitted its Large Mining Operations ("LMO") application to the Utah Division of Oil, Gas and Mining ("DOGM"). The final details required by DOGM were submitted during the reporting period. Post the reporting period, the Group's Notice of Intention to Commence LMO was tentatively approved by DOGM. The approval is another important step in the environmental permitting process and a requirement under Utah State law to take the Group's Holliday Project into commercial production. The tentative permit was subject to 30-day public consultation period which finished on 20 November 2014. DOGM is currently reviewing the comments received.

In February 2014, the Group submitted its Ground Water Discharge Permit ("GWDP") application to the Utah Division of Water Quality ("DWQ"). DWQ indicated that it required additional information on 14 points, of which two required some additional work. TomCo is in the process of submitting these outstanding details to DWQ, so DWQ will be in a position to consider making a decision to tentatively approve TomCo's GWDP and request a public comment period.

TomCo's technology suppliers, Red Leaf, are progressing well in their move into the full construction phase of their EPS capsule on their licence area 15 miles west of TomCo's Holliday Block. The Board believes that Red Leaf intends to begin the EPS capsule heating in late 2015 and produce approximately 350,000 barrels of oil in 2016. Under the licence agreement entered into between Red Leaf and TomCo in March 2010 the Group will be able to leverage off Red Leaf's implementation experience from construction of their EPS capsule. If the Group progresses its Holliday Block project to the development phase further funding would be required.

### Financing

In September 2014, the Group appointed Shore Capital and Corporate Limited as Nominated Adviser and Shore Capital Stockbrokers Limited as sole broker and raised gross proceeds of £1.0 million (before expenses) through the conditional placing (the "Placing") of 200,000,000 new ordinary shares of 0.5p in the capital of the Company with new and existing investors at 0.5 pence per Placing Share. The Placing completed in full on 2 October 2014 and all proceeds were received in October. The net proceeds of the Placing will be used to complete the permitting process at the Group's Holliday Block, Utah in the United States and for working capital purposes.

While dilution of existing shareholders is a concern and issuing equity is not a decision the Board takes lightly, the Board believes that ensuring the Group is fully funded through the permitting process and beyond is vital and we look towards a potentially transformational period for the Group. TomCo has a strengthened balance sheet as we look to move our asset forward towards development.

### Directors

Directors who served on the Board during the year to 30 September 2014 were as follows:

Sir Nicholas Bonsor  
Paul Rankine  
Miikka Haromo

Directors' interests in the shares of the Group, including family interests, were as follows:

	30 September 2014		30 September 2013	
	Ordinary 0.5 pence shares	Share warrants	Ordinary 0.5 pence shares	Share warrants
N Bonsor	1,550,011	-	-	-
M Haromo*	3,000,000	-	-	-
P Rankine	5,000,000	-	1,295,301	-
	<b>9,550,011</b>	-	1,295,301	-

Details of share warrants can be found in Note 19.

\* Miikka Haromo has an option to acquire 15 million Ordinary Shares from Kenglo One Limited at a price of 3p per Ordinary Share. The option period commenced on 21 July 2012 and ends on 31 December 2014.

# Directors' report

## Payments of payables

The Group's policy is to negotiate payment terms with its suppliers in all sectors to ensure that they know the terms on which payment will take place when the business is agreed and to abide by those terms of payment.

The Group's payment days as at 30 September 2014 for trade payables was 8 days (2013: 11 days).

## Going concern

The Directors have prepared cash flow forecasts which show that the Group has sufficient funds to meet its working capital requirements and known commitments for a period of twelve months from the date of signing of these financial statements. The Group's working capital and commitments are closely monitored by the directors and monthly forecasts are prepared in order to ensure that the Group has cash available to meet known project and overhead commitments. There are no contractual commitments for minimum development spend within any of the Group's licences and therefore the pace of development of the asset can be adjusted within the availability of cash resources. Should expenditures arise which are not included within the directors' forecasts, the Group will require further funding, or existing contractual working capital commitments will need to be deferred. As a result of the review performed by the directors, the monitoring of the cash position and the availability of forecast cash at the end of the twelve month period from the date of signing the financial statements, the Directors have confirmed that it is appropriate for the financial statements to be prepared on the going concern basis.

## Insurance of key management

The Group maintains Directors' and officers' liability insurance cover for TomCo Energy plc's Directors in respect of their duties as Directors.

## Directors' responsibilities

The Directors are responsible for keeping proper 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 Group and enable them to ensure that the financial statements comply with the requirements of the Isle of Man Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and for taking steps for the prevention and detection of fraud and other irregularities.

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:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that they have complied with these requirements, and, having a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

# Directors' report

## **Auditors**

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

The external auditors are required to rotate the Senior Statutory Auditor responsible for the company audits every five years. In certain circumstances, it is permissible to extend that tenure by up to two years. The Board believes that due to significant strategic changes the Group has undergone over the last 18 months and the developments anticipated by the Group merits having a continuity of the Senior Statutory Auditor that this extension provides.

BDO LLP and the Company have agreed to extend the term of the Senior Statutory Auditor for a seventh year in line with the guidance as to how long a responsible individual may remain the Senior Statutory Auditor for a client as set out in Ethical Standard 3 'Long Association with the Audit Engagement' issued by the Audit Practices Board. There are specific provisions relating to the extension of tenure for listed companies with which the Company complies.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



**Sir Nicholas Bonsor**

**Non-Executive Chairman**

**4 December 2014**

# Independent auditors' report

to the members of TomCo Energy plc

We have audited the financial statements of TomCo Energy plc for the year ended 30 September 2014 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable Isle of Man company law and International Financial Reporting Standards as adopted by the European Union (IFRS).

This report is made solely to the Company's members as a body, in accordance with Section 80C of the Isle of Man 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 opinion 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 Isle of Man company law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

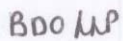
## Scope of the audit of the financial statements

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

## Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of, in all material respects the state of the Group and the Company's affairs as at 30 September 2014 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The logo for BDO LLP, consisting of the letters 'BDO' in a bold, sans-serif font followed by 'LLP' in a smaller, italicized font, all enclosed within a light blue rectangular border.

BDO LLP  
Chartered Accountants  
London  
United Kingdom

4 December 2014

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

# Consolidated statement of comprehensive income

for the financial year ended 30 September 2014

		2014	2013
	Note	£'000	£'000
Revenue	2	15	11
Cost of sales	2	(4)	(4)
<b>Gross profit</b>		<b>11</b>	<b>7</b>
Administrative expenses		(741)	(872)
<b>Operating loss</b>	5	<b>(730)</b>	<b>(865)</b>
Finance income	3	-	1
Finance costs	4	(2)	(1)
<b>Loss on ordinary activities before taxation</b>		<b>(732)</b>	<b>(865)</b>
Taxation	6	-	-
<b>Loss for the year attributable to equity shareholders of the parent</b>		<b>(732)</b>	<b>(865)</b>
<b>Total comprehensive loss attributable to equity shareholders of the parent</b>		<b>(732)</b>	<b>(865)</b>

		2014	2013
		Pence	Pence
<b>Loss per share attributable to the equity shareholders of the parent</b>		<b>per share</b>	<b>per share</b>
Basic & diluted loss per share	8	<b>(0.04)</b>	(0.05)

The Company has elected to take exemption under the Companies Act not to present the parent company's statement of comprehensive income. The loss for the parent company for the year was £749,467 (2013: £863,153).

The notes on pages 12 to 26 form part of these financial statements.



# Consolidated and Company Statement of Financial Position

as at 30 September 2014

		Group 2014	Company 2014	Group 2013	Company 2013
	Note	£'000	£'000	£'000	£'000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	9	8,815	1,314	8,421	1,314
Property, plant and equipment	10	-	-	-	-
Investment in subsidiaries	11	-	7,501	-	7,107
Available for sale financial assets	12	3,262	3,262	3,262	3,262
Other receivables	13	-	-	-	137
		<b>12,077</b>	<b>12,077</b>	11,683	11,820
<b>Current assets</b>					
Trade and other receivables	13	1,063	1,034	63	34
Cash and cash equivalents	14	90	89	1,236	933
		<b>1,153</b>	<b>1,123</b>	1,299	967
<b>TOTAL ASSETS</b>		<b>13,230</b>	<b>13,200</b>	12,982	12,787
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	15	(222)	(222)	(221)	(34)
		<b>(222)</b>	<b>(222)</b>	(221)	(34)
<b>Net current assets</b>		<b>931</b>	<b>901</b>	1,078	933
<b>Non-current liabilities</b>					
Other liabilities	15	-	-	-	(5)
<b>TOTAL LIABILITIES</b>		<b>(222)</b>	<b>(222)</b>	(221)	(39)
<b>Total net assets</b>		<b>13,008</b>	<b>12,978</b>	12,761	12,748
<b>Shareholders' equity</b>					
Share capital	17	9,931	9,931	8,894	8,894
Share premium	18	14,578	14,578	14,636	14,636
Warrant reserve	19	42	42	42	42
Retained deficit		(11,543)	(11,573)	(10,811)	(10,824)
<b>Total equity</b>		<b>13,008</b>	<b>12,978</b>	12,761	12,748

The accounts on pages 8 to 26 were approved and authorised for issue by the Board of Directors on 4 December 2014.



**Paul Rankine**  
Director



**Miikka Haromo**  
Director

# Consolidated statement of changes in equity

for the financial year ended 30 September 2014

Note	Group					Company				
	Share capital	Share premium	Warrant reserve	Retained Deficit	Total	Share capital	Share premium	Warrant reserve	Retained deficit	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2012	8,105	13,629	361	(10,307)	11,788	8,105	13,629	361	(10,322)	11,773
Total comprehensive loss for the year	-	-	-	(865)	(865)	-	-	-	(863)	(863)
Issue of warrants	19	(42)	42	-	-	-	(42)	42	-	-
Expired warrants	17,18	-	(361)	361	-	-	-	(361)	361	-
Issue of share capital	17,18	789	1,049	-	1,838	789	1,049	-	-	1,838
Balance at 30 September 2013	8,894	14,636	42	(10,811)	12,761	8,894	14,636	42	(10,824)	12,748
Total comprehensive loss for the year	-	-	-	(732)	(732)	-	-	-	(749)	(749)
Issue of share capital	17,18	1,037	(58)	-	979	1,037	(58)	-	-	979
<b>At 30 September 2014</b>	<b>9,931</b>	<b>14,578</b>	<b>42</b>	<b>(11,543)</b>	<b>13,008</b>	<b>9,931</b>	<b>14,578</b>	<b>42</b>	<b>(11,573)</b>	<b>12,978</b>

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

Reserve	Descriptions and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Warrant reserve	Amounts credited to equity in respect of warrants to acquire ordinary shares in the Company.
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

The notes on pages 12 to 26 form part of these financial statements.

# Consolidated and company statements of cash flows

for the financial year ended 30 September 2014

	Note	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
<b>Cash flows from operating activities</b>					
Loss after tax	2	(732)	(749)	(865)	(863)
Depreciation	10	-	-	9	9
Finance income	3	-	-	(1)	(1)
Finance costs	4	2	2	1	1
(Increase)/decrease in trade and other receivables	13	-	-	(11)	(306)
Increase/(decrease) in trade and other payables	15	114	138	(7)	(2)
<b>Cash used in operations</b>		<b>(615)</b>	<b>(609)</b>	<b>(874)</b>	<b>(1,162)</b>
<b>Cash flows from investing activities</b>					
Investment in oil & gas assets	9	(581)	-	(139)	-
Additions to investment in subsidiary	11	-	(285)	-	(139)
<b>Net cash used in investing activities</b>		<b>(581)</b>	<b>(285)</b>	<b>(139)</b>	<b>(139)</b>
<b>Cash flows from financing activities</b>					
Issue of share capital (net of issue costs)	17,18	50	50	1,838	1,838
<b>Net cash generated from financing activities</b>		<b>50</b>	<b>50</b>	<b>1,838</b>	<b>1,838</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,146)</b>	<b>(844)</b>	<b>825</b>	<b>537</b>
Cash and cash equivalents at beginning of financial year		<b>1,236</b>	<b>933</b>	<b>411</b>	<b>396</b>
<b>Cash and cash equivalents at end of financial year</b>		<b>90</b>	<b>89</b>	<b>1,236</b>	<b>933</b>

The notes on pages 12 to 26 form part of these financial statements.

# Notes to the financial statements

for the financial year ended 30 September 2014

## 1. Accounting policies

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

### 1.1 Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Isle of Man Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historic cost convention modified by the revaluation of certain financial instruments to fair value including derivatives and available for sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Details of the Group's significant accounting judgments and critical accounting estimates are set out in these financial statements and include:

- Commercial reserves estimates; (Note 9);
- Impairment of intangible assets (Note 9);
- Impairment of available for sale financial assets (Note 12);
- Share based payments (Note 19);

The Group has consistently applied all applicable accounting standards.

The Directors have prepared cash flow forecasts which show that the Group has sufficient funds to meet its working capital requirements and known commitments for a period of twelve months from the date of signing of these financial statements. The Group's working capital and commitments are closely monitored by the directors and monthly forecasts are prepared in order to ensure that the Group has funds available to meet known project and overhead commitments. There are no contractual commitments for minimum development spend within any of the Group's licences and therefore the pace of development of the asset can be adjusted within the availability of cash resources. Should expenditures arise which are not included within the directors' forecasts, the Group will require further funding, or existing contractual working capital commitments will need to be deferred. As a result of the review performed by the directors, the monitoring of the cash position and the availability of forecast cash at the end of the twelve month period from the date of signing the financial statements, the directors have confirmed that it is appropriate for the financial statements to be prepared on the going concern basis.

### 1.2 Future changes in accounting standards

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

There were no new standards, interpretations and amendments to published standards effective in the year which had a significant impact on the Group.

Standards, Interpretations and amendments, which are effective for future reporting periods:

International Accounting Standards (IAS/IFRS)	Effective date (periods beginning on or after)
• IFRS 10 Consolidated Financial Statements	1 Jan 2014
• IFRS 11 Joint Arrangements	1 Jan 2014
• IFRS 12 Disclosure of Interests in Other Entities	1 Jan 2014
• IAS 32 Offsetting Financial Assets and Financial Liabilities	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 amounts disclosures for non-financial assets	1 Jan 2014
• IFRS 9 Financial instruments	1 Jan 2018
• IFRS 15* Revenue from contracts with customers	1 Jan 2017

These standards are not expected to have a material impact on future financial statements. Standards marked \* are still to be endorsed by the European Union.

# Notes to the financial statements

for the financial year ended 30 September 2014

## 1.3 Basis of consolidation

The Group accounts consolidate the accounts of the parent company, TomCo Energy plc, and all its subsidiary undertakings drawn up to 30 September 2014. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The acquisition of subsidiaries is accounted for on the purchase basis. A subsidiary is consolidated where the Company has the power, either directly or indirectly, to govern the financial and operating activities of another entity or business, so it is able to obtain benefits from its activities. On acquisition all the subsidiary's assets and liabilities which existed at the date of acquisition are recorded at their fair values reflecting their condition at the time. If, after re-assessment, the Group's interest in the net fair value of the identifiable assets liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income.

## 1.4 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, and the Finance Director.

Based on an analysis of risks and returns, the Directors consider that the Group has one principal business segment based on geographical location. The Group's revenue arises within the US. The profit / (loss) before taxation arises within the UK and US. Net assets are in the UK and the US.

## 1.5 Revenue

Turnover represents the Group's share of sales of oil during the year, excluding sales tax and royalties. Income arises from the US and is recognised when the oil is delivered to the customer.

## 1.6 Finance income

Finance income is accounted for on an effective interest basis.

## 1.7 Property, plant and equipment

Office fixtures, fittings and equipment are stated at cost of purchase. Depreciation of office fixtures, fittings and equipment is provided at 33.3% straight line per annum on cost.

Oil & Gas development and production assets are accumulated on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with any decommissioning asset. They are presented as oil properties in Note 10.

The net book values of producing assets are depreciated on a field-by-field basis using the unit of production method by reference to the ratio of production in the period to the related commercial reserves of the field, taking into account estimated future development expenditures necessary to bring those reserves into production.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Impairments are charged to administrative expenses within the statement of comprehensive income.

## 1.8 Intangible assets

The Company applies the full cost based method of accounting for oil and gas operations. For evaluation properties, all lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration appraisal and development are capitalised as intangible fixed assets in appropriate cost pools. Costs relating to unevaluated properties are held outside the relevant cost pool, and are not amortised until such time as the related property has been fully appraised. When a cost pool reaches an evaluated and bankable feasibility stage, the assets are transferred from intangible to oil properties within property, plant and equipment.

Depreciation is not charged on the technology licences as the technology is not yet available for use. The technology produced by Red Leaf is currently unique within the marketplace and until extraction commences, the full scale viability of this technology will not be determinable.

## 1.9 Impairment

An impairment test on intangible oil & gas assets is performed whenever events and circumstances arising during the exploration and evaluation phase indicate that the carrying value of the asset may exceed its recoverable amount. The cash generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single cash generating unit where the cash flows are interdependent.

The carrying amounts of the Group's assets, other than oil & gas assets (described above), are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

# Notes to the financial statements

for the financial year ended 30 September 2014

## 1.10 Asset disposals

Proceeds from the disposal of an asset, or part thereof, are taken to the statement of comprehensive income together with the requisite net book value of the asset, or part thereof, being sold.

## 1.11 Taxation

Taxation expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profits for the financial period using tax rates that have been enacted or substantively enacted by the reporting date. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. If deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred tax is determined using tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversals of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## 1.12 Foreign currencies

The accounts have been prepared in pounds sterling being the presentational currency of the Group and Company. The functional currency of the holding Company and the Company's subsidiaries is also pounds sterling. Assets and liabilities held in the Company or overseas subsidiaries in US dollars are translated into pounds sterling at the rate of exchange ruling at the reporting date.

Transactions entered into by Group entities in a currency other than the functional currency of the entity are recorded at the rates ruling when the transactions occur. Exchange differences arising from the settlement of monetary items are included in the statement of comprehensive income for that period.

## 1.13 Operating leases

Rentals payable under operating leases, net of lease incentives, are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

## 1.14 Available-for-sale financial assets

The Group classifies its investments as available-for-sale financial assets.

The fair value of available for sale financial assets are carried at fair value when the fair value can be measured reliably with changes in fair value recognised directly in equity within the available-for-sale reserve; exchange differences on available-for-sale financial assets denominated in a foreign currency are recognised in other comprehensive income. If the fair value of available for sale financial assets cannot be reliably measured then they are carried at historic cost. Where there is a significant or prolonged decline in the carrying value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised directly in equity within the available-for-sale reserve, is recognised in profit or loss. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in carrying value between trade date and settlement date being recognised in the available-for-sale reserve. On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

# Notes to the financial statements

for the financial year ended 30 September 2014

## **1.15 Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset such as receivables from subsidiaries. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group or Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

## **1.16 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at the bank and other short term liquid investments with original maturities of three months or less.

## **1.17 Trade payables**

Trade payables, defined as financial liabilities in accordance with IAS 39, are recognised at amortised cost. All of the trade payables are non-interest bearing.

## **1.18 Share capital**

Ordinary shares are classified as equity. Ordinary shares allotted under a Liquidity Facility Agreement and an associated Promissory Note (Note 17) are only recognised as equity on sale and issue to a third party. Shares which remain unsold at the reporting date are not included within the share capital and share premium account as they are not considered called up.

## **1.19 Share based payments and warrants**

For equity-settled share-based payments, the fair value determined at the date of grant is expensed on a straight-line basis over the vesting period. Fair value is measured by the use of the Black Scholes model. The calculation of this fair value is detailed in Note 19.

## **1.20 Investments in subsidiaries**

Investments in subsidiary undertakings are stated at cost less impairment provisions.

## Notes to the financial statements

for the financial year ended 30 September 2014

### 2. Segmental reporting - Analysis by geographical segment

The Group's revenue arises within the US. The loss before taxation arises within the UK and US. Net assets are in the UK and US. Based on an analysis of risks and returns, the Directors consider that the Group has one principle business segment based on geography, with the UK representing head office costs of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, and the Finance Director. The Directors therefore consider that no further segmentation is appropriate.

Year ended 30 September	United	United	Total	United	United	Total
	States	Kingdom		States	Kingdom	
	2014	2014		2013	2013	
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	15	-	15	11	-	11
Cost of sales	(4)	-	(4)	(4)	-	(4)
Gross profit	11	-	11	7	-	7
Depreciation	-	-	-	-	(9)	(9)
Administrative expenses	(13)	(728)	(741)	(8)	(855)	(863)
<b>Operating loss</b>	<b>(2)</b>	<b>(728)</b>	<b>(730)</b>	<b>(1)</b>	<b>(864)</b>	<b>(865)</b>
Financial income	-	-	-	-	1	1
Finance costs	-	(2)	(2)	-	(1)	(1)
<b>Loss for the year</b>	<b>(2)</b>	<b>(730)</b>	<b>(732)</b>	<b>(1)</b>	<b>(864)</b>	<b>(865)</b>
<b>Total loss</b>	<b>(2)</b>	<b>(730)</b>	<b>(732)</b>	<b>(1)</b>	<b>(864)</b>	<b>(865)</b>
<b>Non-Current assets:</b>						
- exploration and development licences	7,501	-	7,501	7,107	-	7,107
- technology licence	1,314	-	1,314	1,314	-	1,314
- Available for sale financial assets	-	3,262	3,262	-	3,262	3,262
	<b>8,815</b>	<b>3,262</b>	<b>12,077</b>	<b>8,421</b>	<b>3,262</b>	<b>11,683</b>
<b>Current assets:</b>						
Trade and other receivables	29	1,034	1,063	28	35	63
Cash and cash equivalents	1	89	90	303	933	1,236
<b>Total assets</b>	<b>8,845</b>	<b>4,385</b>	<b>13,230</b>	<b>8,752</b>	<b>4,230</b>	<b>12,982</b>
<b>Current liabilities:</b>						
Trade and other payables	-	(222)	(222)	(187)	(34)	(221)
<b>Total liabilities</b>	<b>-</b>	<b>(222)</b>	<b>(222)</b>	<b>(187)</b>	<b>(34)</b>	<b>(221)</b>



# Notes to the financial statements

for the financial year ended 30 September 2014

## 3. Finance income

	2014	2013
	£'000	£'000
Bank interest	-	1
	-	1

## 4. Finance costs

	2014	2013
	£'000	£'000
Bank charges	2	1
	2	1

## 5. Operating loss

	2014	2013
	£'000	£'000
<b>The following items have been charged in arriving at operating loss:</b>		
Depreciation of property, plant and equipment	-	9
Directors' fees (Note 7)	314	316
Auditors' remuneration:		
– audit services	26	24
Rentals payable in respect of land and buildings	7	38

## 6. Taxation

There is no tax charge in the year due to the loss for the year.

Factors affecting the tax charge:

	2014	2013
	£'000	£'000
<b>Loss on ordinary activities before tax</b>	<b>(732)</b>	<b>(865)</b>
Loss on ordinary activities at standard rate of corporation tax in the UK of 22.0% (2013 – 23.5%)	<b>(161)</b>	<b>(203)</b>
Effects of:		
Excess management expenses carried forward	<b>161</b>	<b>203</b>
<b>Tax charge for the financial year</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements

for the financial year ended 30 September 2014

## 7. Employees and Directors

The Group has no employees other than the directors, whose emoluments comprise fees paid for services. Share-based payments relate to warrants issued, further details of which are included in Note 19. The amounts paid for their services are detailed below:

	<b>Salaries</b>	<b>Salaries</b>
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
N Bonsor	71	71
P Rankine	139	141
M Haromo	104	104
<b>Total remuneration</b>	<b>314</b>	<b>316</b>

## 8. Loss per share

Basic loss per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Reconciliations of the losses and weighted average number of shares used in the calculations are set out below.

	<b>Losses</b>	<b>Weighted average Number of shares</b>	<b>Per share Amount</b>
<b>Financial year ended 30 September 2014</b>	<b>£'000</b>	<b>'000</b>	<b>Pence</b>
<b>Basic and Diluted EPS</b>			
Losses attributable to ordinary shareholders on continuing operations	(732)	1,782,051	(0.04)
<b>Total losses attributable to ordinary shareholders</b>	<b>(732)</b>	<b>1,782,051</b>	<b>(0.04)</b>
<b>Financial year ended 30 September 2013</b>			
	£'000	'000	Pence
<b>Basic and Diluted EPS</b>			
Losses attributable to ordinary shareholders on continuing operations	(865)	1,709,363	(0.05)
<b>Total losses attributable to ordinary shareholders</b>	<b>(865)</b>	<b>1,709,363</b>	<b>(0.05)</b>

The warrants which were in issue at the year end (Note 19) are considered anti-dilutive. As the options and warrants would be anti-dilutive a separate diluted loss per share is not presented.

# Notes to the financial statements

for the financial year ended 30 September 2014

## 9. Intangible assets

	Oil & Gas Exploration and development licence £'000	Oil & Gas Technology licence £'000	Oil & Gas Total £'000
<b>Cost</b>			
At 1 October 2012	6,781	1,314	8,095
Additions	326	-	326
At 30 September 2013	7,107	1,314	8,421
Additions	394	-	394
<b>Net book value</b>			
<b>At 30 September 2014</b>	<b>7,501</b>	<b>1,314</b>	<b>8,815</b>
<b>At 30 September 2013</b>	<b>7,107</b>	<b>1,314</b>	<b>8,421</b>
<b>At 30 September 2012</b>	<b>6,781</b>	<b>1,314</b>	<b>8,095</b>

The exploration and development licences comprise two State of Utah oil shale leases covering approximately 2,919 acres and independent natural resources consultants SRK Consultants Ltd, part of the internationally recognised SRK Group, has declared a surface mineable JORC compliant Measured Resource of 126 million barrels on the main tract of TomCo's Holliday Block lease. The claim areas and the Group's interest in them is:

Asset	Per cent Interest	Licence Status	Expiry Date	Licence Area (Acres)
ML 49570	100	Prospect	31/12/2024	1,638.84
ML 49571	100	Prospect	31/12/2024	1,280.00

In performing an assessment of the carrying value of the licences at the reporting date, the Directors concluded that it was not appropriate to book an impairment. The Directors do not consider the asset to be impaired as there is a planned programme of development work for the next year which will add to the Company's knowledge and understanding of the asset. As the data from this programme is collated and analysed we will inform our shareholders through the Regulatory News Service of the results. As shareholders you are aware of the potential for these assets but the directors draw your attention to the likely need to raise additional funds in the future in order to continue to explore and develop the asset and bring it into commercial production. At this early stage of the project the Directors do not consider that there is any need for any impairment of the valuation of the asset. The Group has obtained resource assessments in relation to its oil shale leases, the latest of which shows 126 million barrels of oil in surface mineable JORC Measured Resource. If the required additional funding was not to be made available to the company, the carrying value of the asset might need to be impaired.

The oil and gas technology licence was signed in 2010 and grants to TomCo an exclusive, site-specific license of certain patent rights and "know how" relating to the EcoShale In-Capsule Process™, developed by Red Leaf Resources Inc. ("Red Leaf"). Under the terms of the License, Red Leaf has agreed to provide TomCo with all new patents, techniques, information and new discoveries in relation to the EcoShale™ system. The directors consider that as the testing of the EcoShale™ technology continues to progress as planned, with initial test results showing that the technology works on a small scale, no impairment of the oil and gas technology licence is required.

Notes to the financial statements  
for the financial year ended 30 September 2014

10. Property, plant and equipment

Group	Oil properties	Fixtures, fittings and equipment	Total
Cost	£'000	£'000	£'000
At 1 October 2012	102	32	134
At 30 September 2013	102	32	134
<b>At 30 September 2014</b>	<b>102</b>	<b>32</b>	<b>134</b>

Depreciation

At 1 October 2012	102	23	125
Charge in year	-	9	9
<b>At 30 September 2013</b>	<b>102</b>	<b>32</b>	<b>134</b>
Charge in year	-	-	-
<b>At 30 September 2014</b>	<b>102</b>	<b>32</b>	<b>134</b>

Net book value

<b>At 30 September 2014</b>	-	-	-
At 30 September 2013	-	-	-
At 30 September 2012	-	9	9

Company

Company	Fixtures, fittings and equipment	Total
Cost	£'000	£'000
At 1 October 2012, 2013 and 2014	32	32

Depreciation

At 1 October 2012	23	23
Depreciation	9	9
<b>At 1 October 2013</b>	<b>32</b>	<b>32</b>
Depreciation	-	-
<b>At 30 September 2014</b>	<b>32</b>	<b>32</b>

Net book value

<b>At 30 September 2014</b>	-	-
At 30 September 2013	-	-
At 30 September 2012	9	9

# Notes to the financial statements

for the financial year ended 30 September 2014

## 11. Company investment in subsidiaries

Shares in Group undertakings

	<b>Total £'000</b>
<b>Cost</b>	
<b>At 1 October 2012</b>	<b>6,781</b>
Additions	326
<b>At 30 September 2013</b>	<b>7,107</b>
Additions	394
<b>At 30 September 2014</b>	<b>7,501</b>

The investments in subsidiaries, which the Directors consider are supported by their assessment of the carrying value of the intangible oil and gas assets in the subsidiary, are not considered impaired. For further details see Note 9.

TomCo Energy plc holds interests in the following subsidiaries:

<b>Subsidiary Undertaking</b>	<b>Country of incorporation or registration</b>	<b>Proportion of voting rights and ordinary share capital held</b>	<b>Nature of business</b>
The Oil Mining Company Inc	Utah, USA	100%	Holding of oil shale leases
TomCo I LLC	Delaware, USA	100%	Holding company of TomCo II
TomCo II LLC	Delaware, USA	100% indirect holding	TomCo II is engaged in the exploration and extraction of oil and gas through joint investment in oil leases

## 12. Available-for-sale financial assets

	<b>Unlisted investments £'000</b>
<b>Cost</b>	
<b>At 1 October 2012</b>	<b>3,442</b>
Additions	-
<b>At 30 September 2013</b>	<b>3,442</b>
Additions	-
<b>At 30 September 2014</b>	<b>3,442</b>
<b>Provisions</b>	
<b>At 30 September 2013 and 2014</b>	<b>180</b>
	<b>180</b>
<b>Net book value</b>	
<b>At 30 September 2014</b>	<b>3,262</b>
<b>At 30 September 2013</b>	<b>3,262</b>
<b>At 30 September 2012</b>	<b>3,262</b>

During the year to 30 September 2012, the Company invested \$5 million (£3,147,735) in Red Leaf Resources Inc (Equity securities US (3)) at \$1,500 per share as part of a \$100 million raising by Red Leaf in conjunction with the closing of a Joint Venture ("JV") with Total E&P USA Oil Shale, LLC, an affiliate of Total SA, the 5<sup>th</sup> largest international integrated oil and gas company.

## Notes to the financial statements

for the financial year ended 30 September 2014

### 12. Available-for-sale financial assets (continued)

The Directors consider that the fair value of the investment cannot be reliably measured and so, as permitted by IFRS, the asset is stated at original cost. There is a risk that in the future this investment falls in value and the Group is unable to realise its accounting value. TomCo continues to monitor the progress of Red Leaf and in the event that the value is deemed by the Group to have declined, an impairment will be recognised. The Directors believe no such impairment has occurred to date. Red Leaf has completed its permitting for Seep Ridge and has started constructing the EPS Capsule.

#### Details of unlisted investments

Name	Share holding number	Percentage holding %	Average cost per share	Cost £'000
Equity securities US (1)	9,751	0.78	31pence	30
Equity securities UK	471,070	3.47	20 pence	94
Equity securities US (2)	1,000,000	8.12	5 pence	56
Equity securities US – Red Leaf	3,333.33	0.43	1,500 dollars	3,262

The Directors provided in full for the investment in equity securities in the US (1) in 2007 due to the uncertain future of the Company. The Equity securities, US (2) and UK were also provided in full in 2008 due to uncertainties about the future of those Companies.

### 13. Trade and other receivables

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
<b>Current</b>				
Other receivables	1,037	1,008	47	18
Prepayments and accrued income	26	26	16	16
	<b>1,063</b>	<b>1,034</b>	63	34
<b>Non-current</b>				
Amounts owed from Group undertakings	-	-	-	137
<b>Total Receivables</b>	<b>1,063</b>	<b>1,034</b>	63	171

As at 30 September 2014 there were no receivables considered past due (2013: £Nil). The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable including cash and cash equivalents as disclosed in Note 20.

All current receivable amounts are due within 6 months.

### 14. Cash and cash equivalents

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Cash at bank and in hand	90	89	1,236	933

The Group earns 0.05% (2013: 0.05%) interest on their cash deposits, consequently the Group's exposure to interest rate volatility is not considered material.

# Notes to the financial statements

for the financial year ended 30 September 2014

## 15. Trade and other payables

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
<b>Current</b>				
Trade payables	28	28	3	3
Other payables	24	24	8	8
Accruals	170	170	210	23
	<b>222</b>	<b>222</b>	221	34
<b>Non-current</b>				
Amounts owed to Group undertakings	-	-	-	5
<b>Total Payables</b>	<b>222</b>	<b>222</b>	221	39

All current amounts are payable within 6 months and the Board of Directors considers that the carrying values adequately represent the fair value of all payables. In the opinion of the directors the carrying value of the financial liabilities approximates to their fair value.

## 16. Deferred tax

### Unrecognised losses

The Company has tax losses in respect of excess management expenses of £9,144,742 (2013: £8,395,275) available for offset against future Company income. This gives rise to a potential deferred tax asset at the reporting date of £1,828,948 (2013: £2,098,819). No deferred tax asset has been recognised in respect of the tax losses carried forward as the recoverability of this benefit is dependent on the future profitability of the Company, the timing of which cannot reasonably be foreseen but the excess management expenses have no expiry date.

## 17. Share capital

	Number of shares	2014 £	2013 £
<b>Issued and fully paid</b>			
At 1 October		9,347,279	8,105,246
Allotted during prior year:			
January 2013 – Liquidity Facility	100,000,000	-	500,000
March 2013 – subscription at 1.2 pence per share	148,406,526	-	742,033
Allotted during current year:			
September 2014 – placing at 0.5 pence per share	200,000,000	1,000,000	-
September 2014 – in lieu of expenses at 0.5 pence per share*	3,000,000	15,000	-
		<b>1,015,000</b>	1,242,033
2,072,455,744 (2013: 1,869,455,744) ordinary shares of 0.5p each		<b>10,362,279</b>	9,347,279
<b>Balance of Shares issued under Promissory Note not called up:</b>			
At 1 October	100,000,000	(453,379)	(500,000)
Called up in prior year	(9,324,169)	-	46,621
Called up in current year	(4,405,000)	22,205	-
At 30 September	<b>86,270,831</b>	<b>(431,354)</b>	(453,379)
		<b>9,930,925</b>	8,893,900

\* Non-cash transactions

# Notes to the financial statements

for the financial year ended 30 September 2014

## 17. Share capital (continued)

In 2013 the Group entered into a Liquidity Facility Agreement and an associated Promissory Note (together the "Liquidity Facility") with Windsor Capital Partners Limited ("Windsor Capital"). Under the Liquidity Facility TomCo issued and allotted 100 million ordinary shares of 0.5p each ("Ordinary Shares") to Windsor Capital in exchange for the Promissory Note. The Promissory Note delivers the proceeds of the sale of the Ordinary Shares over the life of the Promissory Note based on the occurrence of "Liquidity Trigger Days". Liquidity Trigger Days are those days on which the volume of shares traded is greater than 80% of the trailing 90 day weighted average daily trading volume. On Liquidity Trigger Days, Windsor Capital will seek to sell Ordinary Shares, up to a maximum of 10% of the daily volume averaged over any 5 day period, on a best effort basis at the AIM Market offer-price or higher. The Liquidity Facility was suspended on 28 May 2013, and reinstated on 23 September 2013 amended by way of introducing a floor price of 2p per share and limiting the maximum net amount raised following the announcement to one million pounds. These amended conditions were subsequently removed in May 2014. Shares which remain unsold at the reporting date are not included within the share capital and share premium account as they are not considered called up.

During the period, the Group raised a net amount of £52,853 (2013: £153,275) under the facility by the sale of 4,405,000 ordinary shares (2013: 9,324,169).

During the period, the Group also raised £1.0 million before expenses through a conditional share placing of 200,000,000 new ordinary shares of 0.5p each at a price of 0.5 per share. The placing completed in full on 2 October 2014 with all cash proceeds received in October.

## 18. Share premium

	2014	2013
	£'000	£'000
At 1 October	14,636	13,629
Premium on shares issued in the year	30	1,140
Expenses on shares issued in the year	(88)	(133)
At 30 September	14,578	14,636

## 19. Share-based payments

At 30 September 2014, the following share warrants granted for services and shares are outstanding in respect of the ordinary shares:

	2014	2014	2013	2013
	number	Weighted average exercise price Pence	number	Weighted average exercise price Pence
<b>Outstanding at 1 October</b>	<b>7,420,326</b>	<b>1.2</b>	65,424,778	2.5
Granted during the year	-	-	7,420,326	1.2
Lapsed during the year	-	-	(65,424,778)	2.5
Outstanding at 30 September	7,420,326	1.2	7,420,326	1.2
Exercisable at 30 September	7,420,326	1.2	7,420,326	1.2

Each warrant is governed by the provisions of warrant instruments representing the warrants which have been adopted by the Company. The rights conferred by the warrants are transferable in whole or in part subject to and in accordance with the transfer provisions set out in the Articles. The holders of warrants have no voting right, pre-emptive right or other right attaching to Ordinary Shares. All warrants issued have vested in full. The warrants outstanding at 30 September 2014 had a weighted average exercise price of 1.2p (2013: 1.2p) and a weighted average remaining contractual life of 1.45 years (2013: 2.45 years). On completion of the placing (Note 17), on 2 October the Company issued 12,000,000 warrants with an exercise price of 0.5p and a contractual life of 5 years.



# Notes to the financial statements

for the financial year ended 30 September 2014

## 19. Share-based payments (continued)

The inputs into the Black-Scholes model for calculating estimated fair value were:

	<b>2013</b>
Weighted average share price (pence)	1.5
Weighted average exercise price (pence)	1.2
Expected volatility	55%
Risk-free rate	3%
Weighted average remaining contractual life (years)	2.45

Expected volatility was determined by calculating the historical volatility of the Company's share or the volatility of a basket of similar listed companies where the historic volatility was not available. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## 20. Financial instruments

The Group and Company's financial instruments, other than its investments, comprise cash and items arising directly from its operation such as other receivables, and trade payables.

Management review the Group and Company's exposure to currency risk, interest rate risk, liquidity risk and credit risk on a regular basis and consider that through this review they manage the exposure of the Group and Company. No formal policies have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk, however, this is constantly under review.

There is no material difference between the book value and fair value of the Group and Company's cash and other financial instruments.

### Currency risk

The Group has overseas subsidiaries which operate in the United States and whose expenses are mainly denominated in US\$. Foreign exchange risk is inherent in the Group and Company's activities and is accepted as such. Some of the Company's expenses are denominated in US Dollars. The effect of a 10% strengthening or weakening of the US dollar against sterling at the reporting date on the sterling denominated balances would, all other variables held constant, not result in a significant exchange gain or loss in the period.

### Interest rate risk

The Group and Company manage the interest rate risk associated with the Group cash assets by ensuring that interest rates are as favourable as possible, whether this is through investment in floating or fixed interest rate deposits, whilst managing the access the Group requires to the funds for working capital purposes.

The Company's cash and cash equivalents are subject to interest rate exposure due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

A 1% increase or decrease in the floating rate attributable to the cash balances held at the year end would not result in a significant difference on interest receivable.

### Liquidity risk

At the year end the Group and Company had cash balances comprising of the following:

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Current</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
British Pounds	86	86	929	929
US Dollars	4	3	307	4
Total	90	89	1,236	933

# Notes to the financial statements

for the financial year ended 30 September 2014

## 20. Financial instruments (continued)

Liquidity risk arises from the Group and Company's management of working capital and the finance charges and principal repayments on any debt instruments. It is the risk that the Group and Company will encounter difficulty in meeting its financial obligations as they fall due.

The Group and Company policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 90 days. The group seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on any long term borrowings.

### Credit Risk

Credit risk is the risk of financial loss to the Group and Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations. The Group and Company is exposed to credit risk from its relationship with its partners and is mainly exposed to credit risk from credit sales. It is Group and Company policy, implemented locally, to assess the credit risk of new customers before entering contracts in accordance with best local business practices, and seek external credit ratings where applicable and when available. Credit risk of existing customers is assessed when deemed necessary.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with an acceptable rating are utilised.

### Price Risk

The Group is exposed to commodity price risk on its income and assets relating to oil exploration and production. The Group carries out sensitivity analyses for internal management purposes to identify possible impacts on future projections.

### Capital management policies

In managing its capital, the Group and Company's primary objective is to maintain a sufficient funding base to enable the Group and Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, through new share issues or debt, the Group and Company considers not only its short-term position but also its long-term operational and strategic objectives.

## 21. Related party disclosures

The Directors are considered to be Key Management and information in respect of key management is given in Note 7.

Transactions between the Company and its subsidiaries and related parties during the year are summarised below:

	2014	2013
	£	£
Inter-group receivable outstanding at year end	-	137,800
Inter-group payable outstanding at year end	-	5,666
Fees paid to shareholder and advisor under project finance and management agreement	-	112,000