NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014

1. Statement of Accounting Policies

Petroceltic International plc ("Petroceltic" or "the Company") is a company incorporated in Ireland. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as "the Group").

The Group and Company financial statements were authorised for issue by the Directors on 29 June 2015. The accounting policies have been applied consistently for all periods presented in these financial statements as set out below.

A. Statement of compliance

As required by AIM and ESM rules and permitted by Company Law, the Group financial statements have been prepared in accordance with IFRS as adopted by the EU. The individual financial statements of the Company (Company financial statements) have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Act 2014, which permits a Company, that publishes its Company and Group financial statements together, to take advantage of the exemption in Section 304(2) of the Companies Act 2014, from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The IFRSs adopted by the EU as applied by the Company and Group in the preparation of these financial statements are those that were effective for accounting periods ending on or before 31 December 2014 or which were early adopted as indicated below.

The accounting policies adopted are consistent with those of the previous year except for the following new and amended IFRSs which were adopted by the Group as of 1 January 2014:

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in Other Entities
- IAS 27 (revised) Separate financial statements
- IAS 28 (revised) Investments in associates and joint ventures
- IAS 32 (amended) Financial instruments: Presentation
- IAS 36 (amended) Impairment of assets
- IAS 39 (amended) Financial instruments: Recognition and measurement

The Group undertook an exercise to assess the impact of the requirements of each of these new and amended standards and confirms that none had a significant impact on the results or financial position of the Group for the year ended or as at 31 December 2014 nor required any restatement to prior year numbers. The Group also reviewed the presentation of its balance sheet and accounting policies and made a number of changes to enhance the presentation for stakeholders, namely to include a separate category for assets under development in the Balance Sheet and corresponding note to the accounts.

Forthcoming requirements

A number of new standards or amendments to existing standards as set out below have been published and are mandatory for the Group in future accounting periods. The Group does not plan to adopt these standards early. In due course, the Group's ongoing assessments to fully assess the extent of the impact of the changes prescribed by these standards on the Group's accounting policies will be finalised. Our current expectations are as follows:

- IFRS 9 Financial Instruments (2010) (Effective 1 January 2018): Introduces new requirements for classifying and measuring financial assets, for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements for IAS 39 Financial Instruments. The standard could materially change the classification and measurement of the Group's financial instruments; (not fully EU endorsed)
- IFRS 15 Revenue from contracts with customers (Effective 1 January 2017): New standard addressing the accounting treatment in respect of customer contracts (not yet EU endorsed)

- Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures: Sale or contribution of assets between an investor and its associate or joint venture (not yet EU endorsed)
- IFRS 11 (amended) Joint arrangements: Accounting for acquisition of interests in Joint Operations (not yet EU endorsed)
- Amendments to IAS 16 (amended) Property, plant and equipment and IAS 38 Intangible assets: Clarification of acceptable methods of depreciation and amortisation (not yet EU endorsed)

In addition, other changes to standards as a result of the International Accounting Standards Board's Annual Improvements Process, together with some minor amendments to other existing standards, are being assessed by the Group.

B. Basis of preparation

The Group and Company financial statements are prepared on the historical cost basis, except for assets acquired under business combinations and derivative instruments, which are carried at fair value, and equity settled share option awards and warrants which are measured at grant date fair value. The accounting policies have been applied consistently by all Group entities. The financial statements are presented in US dollars, rounded to the nearest thousand.

C. Going concern

In 2013, the Group concluded a Senior Bank Facility, with availability driven by the estimated future cash flows of its interests in Egypt and Bulgaria. This facility, which is subject to periodic borrowing base reviews, includes financial covenants and lender approval requirements typical for financing of this nature. During 2015, a combination of adjustments to reserves arising from the 2014 Independent Engineers report, the recent fall in oil pricing and a reduction in credit availability related to planned capital investment programmes in relation to the Group's assets in Egypt and Bulgaria has impacted on this facility, requiring material repayments which the Group has not to date been in a position to fully satisfy. The Group has received waivers in respect of potential breaches to the terms and covenants of the Senior Bank Facility to the latest review date.

The Group is currently pursuing a number of independent strategies to secure additional financing, create liquidity or reduce financial commitments. In particular, in recognition of the significant value and currently ungeared status of the Group's Algerian interests, the Board believes a financing wholly or partly secured against this asset represents the best way to provide the necessary funding to strengthen the Group's financial position. In that regard, the Group has retained Pareto Securities AS to arrange a Senior Secured Bond financing process to raise up to $175 million and this process was launched on 29 June 2015. In conjunction with the contemplated Bond Issue, the Group's existing lenders have agreed to suspend the half yearly redetermination process under the outstanding bank debt until 30 September 2016 in return for a scheduled programme of repayment over the same period. The Group is also considering alternative debt funding arrangements as well as the potential sale of certain producing interests. The aim of these discussions is to support the Group's financing plans in respect of the Ain Tsila development and enable the Group to continue to exploit its portfolio of reserves and prospects. Regardless of the outcome of these processes, further financing is likely to be required to meet future development expenditure in respect of the Ain Tsila asset.

The Board has analysed the Group's cash flow requirements through to 30 June 2016 in detail. The principal assumptions underlying the forecast are that:

- The Senior Secured Bond Issue to be arranged by Pareto Securities and announced on 29 June 2015 completes as scheduled and funds become available in accordance with its terms
- The $140 million carry of Petroceltic's obligations in relation to the Ain Tsila development is expended in accordance with current forecasts
- Production revenue cashflows and operating and capital expenditure are in line with commitments and current expectations
- The Senior Bank Facility continues to operate in accordance with its amended terms

As at the date of approval of these financial statements, no commitment has been received in respect of the provision of new Bond financing to the Group and there can be no certainty that additional funding will ultimately be received.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

These circumstances represent a material uncertainty that may cast significant doubt upon the Group and the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and taking appropriate professional advice, and considering the uncertainties described above, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for the period set out above. For these reasons, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group or Company was unable to continue as a going concern.

D. Accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are set out as follows:

Item:	Refer to note
Assessment of tax – 2nd Algerian Farmout	6
Carrying value of property plant and equipment	11
Impairment testing	11
Depletion	11
Recoverability of receivables	14
Decommissioning estimates	18
Recoverability of deferred tax assets	19
Share-based payments: determination of fair values	21

E. Consolidation

The consolidated financial statements comprise the financial statements of Petroceltic International plc and its subsidiaries for the year ended 31 December 2014.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the Group financial statements.

F. Business combinations

Business combinations are accounted for using the acquisition method on the date on which control is transferred to the Group.

G. Joint arrangements
The Group is engaged in oil and gas exploration, development and production which are generally undertaken through unincorporated joint arrangements; where control is established by contractual agreement including production sharing agreements and farm-in or farm-out arrangements. These are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations. In addition, where the Group acts as Operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

The Group's oil and gas exploration, development and production assets are classified within the Group balance sheet as follows:
- Intangible exploration and evaluation assets relate to the Group's interests in assets located in Bulgaria, Egypt, Italy, Kurdistan Region of Iraq and Romania
- Assets under development relate to the Group's interests in Algeria
- Production assets are located in Bulgaria and Egypt
- The Group also has a royalty right over certain Kinsale gas fields in Ireland.

Intangible exploration and evaluation assets
Intangible exploration and evaluation assets are accounted for in accordance with IFRS 6, 'Exploration for and Evaluation of Mineral Resources'. Expenditure incurred prior to obtaining the legal rights to explore an area is written off immediately to the consolidated income statement. Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis based on the fair value of the consideration paid. Exploration and evaluation expenditure incurred, including directly attributable borrowing costs, in the process of determining exploration targets on each licence is also capitalised. This expenditure is held undepleted within the exploration licence asset until such time as the exploration phase on the licence area is complete or commercial reserves have been recognised, subject to any impairment losses recognised.

Exploration and evaluation drilling costs are capitalised on a well by well basis within each licence until the success or otherwise of the well has been established. Unless further exploration and evaluation expenditure in the area of the well has been planned and agreed or unless the drilling results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial, drilling costs are written off on completion of a well.

Assets under development
All field development costs associated with assets under development are capitalised, subject to impairment consideration. No depletion or amortisation charge is applied until the field enters production.

Production assets
All costs associated with the further development of production fields are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy as set out below.

Depletion
Depletion of development and production assets is calculated on a field or a concession basis as appropriate. The calculation is based on proved and probable reserves using the unit of production method; any changes are recognised prospectively.

Impairment and ceiling test of oil and gas assets
Exploration and evaluation expenditures which are held as intangible assets under IFRS 6 are reviewed at each reporting date for indicators of impairment. If such indicators exist then the assets are tested for impairment by allocating the relevant item to a Cash Generating Unit ('CGU') or a group of CGUs. An impairment test is also carried out before the transfer of costs related to assets which are being transferred to development and production assets following a declaration of commercial reserves. This impairment test is carried out in accordance with IAS 36, 'Impairment of Assets', which requires that the impairment be calculated on the basis of a CGU, which in the Group's case is defined to be a field or a concession, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

A review for impairment indicators is also carried out at least annually on the capitalised costs in the assets under development and production assets categories. This is carried out on a field or a concession basis, as appropriate. Under oil industry standard practice this impairment test is calculated on a value in use basis by comparing the net capitalised cost with the net present value of future pre-tax cash flows which are expected to be derived from the field or concession. Key assumptions and estimates in the impairment models relate to commodity prices which are based on commercial reserves and the related cost policies. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of impairment
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Farm-out arrangements
Farm-outs generally occur in the exploration phase and are characterised by the transferor giving up future economic benefits, in the form of reserves, in exchange for reduced future funding obligations. In the exploration and evaluation phase, the Company accounts for farm-outs on a historical cost basis. As such, no gain or loss is recognised; any consideration received is credited against the carrying value of the related asset.

Non oil and gas assets
Plant and equipment is stated at cost less accumulated depreciation. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. Non oil and gas plant and equipment is depreciated over its expected useful economic life on a straight-line basis at the following rates:
• IT infrastructure: 33.3% straight-line
• Furniture & equipment: 10% to 33% straight-line

The residual value and useful lives of plant and equipment are reviewed annually and adjusted if appropriate at each reporting date.

On disposal of property, plant and equipment the cost and related accumulated depreciation are removed from the financial statements and the net amount, less any proceeds, is taken to the consolidated income statement.

Royalty asset
The royalty asset is carried at cost, net of accumulated amortisation. Amortisation is charged in the proportion that the current year's production bears to the total anticipated production from the start of the financial year to the end of the gas field's life. Changes in estimated production are accounted for prospectively.

H. Decommissioning provisions
Provisions are made for the decommissioning or abandonment of oil and gas wells and associated infrastructure. A provision is recognised when the Group has an obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. The amount recognised as a provision is the estimated cost of decommissioning and a corresponding amount is added to the carrying value of the related asset. Changes in the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the related asset. The decommissioning provision is reviewed annually.

I. Revenue recognition

Revenue from the sale of oil, oil liquids and gas in Egypt and Bulgaria is recognised at the fair value of consideration received or receivable when the significant risks and rewards of ownership are transferred to the buyer and it can be reliably measured. The revenue of the Group in Egypt is calculated under the terms of production sharing agreements between the Group and its partner (a state owned company). Revenue is reported to include income taxes and royalties payable which are settled on the Company's behalf by the Egyptian authorities. Other revenue represents royalty income. Realised gains and losses arising from cash flow hedges relating to oil and gas pricing are added to or deducted from turnover.

J. Foreign currency

The Directors have determined that, in accordance with IAS 21, the functional currency of the Company and its subsidiaries is the US dollar. The Group and Company financial statements are presented in dollars and accordingly no foreign currency translation reserve arises.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. For practical reasons, this is taken as the monthly average exchange rate where these rates are a reasonable approximation of actual rates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date of the transaction. Ordinary share capital denominated in Euro is translated to the functional currency at the date of issue and is not remeasured thereafter.

K. Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: those arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

L. Retirement benefit obligations

The Group contributes to defined contribution pension schemes for certain members of staff. Pension scheme costs are accounted for on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

M. Share-based compensation and warrants over shares

The Group issues share options and makes conditional grants of performance shares (PSP shares) as an incentive to certain key management and staff (including Executive Directors). In the Group financial statements, the fair value of share options and PSP shares granted to employees is recognised as an expense with a corresponding credit to the share-based payments reserve. The cost of share-based payments relating to employee share options and PSP shares is borne by subsidiary companies as the employees are employed in the subsidiary. Consequently, the grant date fair value of share options granted to employees under the Company's option schemes is recognised as an increase in investment in subsidiaries with a corresponding credit to the share-based payments reserve. In the subsidiary company, the cost of share options granted to employees is recognised as an expense with a corresponding credit to the capital contribution reserve.

The fair value is measured at grant date and this is expensed in the consolidated income statement with the charge being spread over the period during which the awards vest. The fair value is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. A discount for market conditions has been applied to the fair values determined by the binomial model based on a Monte Carlo simulation analysis. The options issued are subject to both market based and non-market based vesting conditions. Market conditions are included in the calculation of fair value at the date of the grant. Non-market vesting conditions are not taken into account when estimating the fair value of awards as at grant date; such conditions are taken into account through adjusting the number of equity instruments that are expected to vest. Nil-cost options granted under the PSP are only exercisable if the TSR of Petroceltic's shares equals or exceeds the median of the peer group TSR over the vesting period, because of the nature of this market performance condition, the Monte Carlo simulation technique has been used to calculate the fair value. This involves simulating one possible path of the TSR for Petroceltic's shares and possible paths of the TSR of peer group companies. It is then tested to see whether the Company's TSR has outperformed the peer group. This process is then repeated many thousands of times and the option value is the average value from all the simulations.

The Group has issued warrants in connection with a number of transactions with third parties. Where the fair value of the goods and services provided by the third party as compensation for the warrant issuance is observable, the warrants are measured on that basis. In other instances, the fair value of warrants issued is determined in accordance with IFRS 2 based upon a valuation model.

The proceeds received on exercise of options or warrants, net of any directly attributable transaction costs, will be credited to share capital (nominal value) and share premium when options or share warrants are converted into ordinary shares.

N. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and warrants.

O. Operating leases

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

P. Financial instruments

(i) Non-derivative financial assets

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Restricted cash

Restricted cash comprises cash held by the Group but which is ring fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. Restricted cash is carried at amortised cost.

Trade and other receivables

Trade and other receivables are stated at cost less impairment, which approximates fair value given the short-term nature of these assets.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends to settle on a net basis. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Derivative financial assets and liabilities

Derivatives are recognised initially at fair value in the balance sheet; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

(iv) Equity financial instruments

Share capital

Ordinary shares are classified as equity instruments. Costs directly attributable to the issue of ordinary shares and share options are recognised as a reduction in share premium.

Q. Finance income and costs

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest rate method.

Finance expense comprises interest arising on borrowings calculated using the effective interest rate method, foreign currency losses and unwinding of the discount on provisions. Borrowing costs, which include all directly attributable costs and fees together with the deemed cost of warrants or other equity instruments issued in connection with borrowing, that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the costs of the asset, in accordance with IAS 23 'Borrowing Costs'. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale, such as intangible assets during the development period.

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FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

R. Segmental information
In accordance with IFRS 8: 'Operating Segments', the Group has four principal reportable segments which are the Group's strategic business units as follows:
Algeria: Oil and gas development in Algeria
Egypt: Oil and gas production in Egypt
Black Sea: Oil and gas exploration and production in Bulgaria and Romania
Kurdistan Region of Iraq: Oil and gas exploration in the Kurdistan Region of Iraq

Other operations "Corporate & other Europe" includes cash resources held by the Group, interest income earned and other operational expenditure incurred by the Group including Italy, Greece and royalty income from certain gas fields in Ireland. These areas are not within the definition of an operating segment.

The chief operating decision maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources and the Group has determined the operating segments based on this reporting.

The Executive Directors consider the business from a geographic perspective and assess the performance of principal reporting segments based on results from operations. The information provided to the chief operating decision maker is measured in a manner which is consistent with the financial statements.

2. Revenue and segmental information

2014	Algeria	Egypt	Black Sea	Kurdistan	Corporate & Other Europe	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Gas	-	53,471	51,318	-	-	104,789
Oil/condensate/liquids	-	52,162	-	-	-	52,162
Royalty	-	-	-	-	291	291
Total revenue	-	105,633	51,318	-	291	157,242
Depletion and decommissioning	-	(54,143)	(34,328)	-	(27)	(88,498)
Other cost of sales	-	(18,461)	(11,453)	-	-	(29,914)
Gross profit	-	33,029	5,537	-	264	38,830
Administrative expenses*	-	(3,697)	(1,200)	-	(16,699)	(21,596)
Impairment of oil and gas assets	-	(47,130)	(33,348)	-	-	(80,478)
Impairment of Egyptian inventory	-	(5,912)	-	-	-	(5,912)
Share-based payments expense	-	-	-	-	(3,759)	(3,759)
Exploration costs written off**	-	(3,440)	(46,928)	(129,222)	(3,794)	(183,384)
Reportable segment result from operating activities	-	(27,150)	(75,939)	(129,222)	(23,988)	(256,299)
Finance income					2,858	2,858
Finance expense					(18,539)	(18,539)
Loss before income tax					(39,669)	(271,980)
Income tax credit/ (expense)	(934)	(7,975)	1,380	-	(2,081)	(9,610)
Loss for the year					(43,538)	(281,590)
Reportable segment assets	176,432	315,788	97,696	-	51,871	641,787
Reportable segment liabilities	(7,156)	(58,593)	(22,681)	(16,794)	(206,671)	(311,895)

* Administrative expenses incurred in Algeria, Kurdistan, Romania and Italy have been capitalised within the assets.
** Includes $9.9m provision for Kurdistan exit costs and $3.5m of new venture exploration costs recognised directly in the income statement and not previously capitalised.

2013	Algeria $'000	Egypt $'000	Black Sea $'000	Kurdistan $'000	Corporate & Other Europe $'000	Total $'000
Revenue						
Gas	-	54,855	81,555	-	-	136,410
Oil/condensate/liquids	-	59,828	-	-	-	59,828
Royalty	-	-	-	-	460	460
Total revenue	-	114,683	81,555	-	460	196,698
Depletion and decommissioning	-	(51,966)	(40,095)	-	(46)	(92,107)
Other cost of sales	-	(13,681)	(13,635)	-	-	(27,316)
Gross profit	-	49,036	27,825	-	414	77,275
Administrative expenses*	-	(3,598)	(1,924)	-	(14,343)	(19,865)
Share-based payments expense	-	-	-	-	(5,017)	(5,017)
Exploration costs written off	-	(4,180)	(27,717)	-	(4,807)	(36,704)
Reportable segment result from operating activities	-	41,258	(1,816)	-	(23,753)	15,689
Finance income					1,671	1,671
Finance expense					(21,837)	(21,837)
Loss before income tax					(43,919)	(4,477)
Income tax credit/ (expense)	-	(15,050)	(961)	-	1,655	(14,356)
Loss for the year					(42,264)	(18,833)
Reportable segment assets	186,538	401,211	191,350	85,643	57,792	922,534
Reportable segment liabilities	(4,206)	(78,486)	(27,495)	(4,273)	(297,215)	(411,675)

*Administrative expenses incurred in Algeria, Kurdistan, Romania and Italy have been capitalised within the assets.

Oil and gas revenues are generated in Egypt and Bulgaria and the Royalty is based on a percentage of gas sales from Kinsale Gas Fields offshore Ireland. Three of the Group's customers accounted for more than 10% of revenue in 2014 (2013: three customers). All Egyptian revenue in 2013 and 2014, as set out in the tables above, is receivable from EGPC, an Egyptian state owned company. Bulgarian revenues include $25.1m (2013: $45.8m) from Bulgargaz EAD, a Bulgarian state owned company, and $26.2m (2013: $35.7m) from Agropolychim, an independent chemicals company.

For segmental analysis of capital expenditure see notes 9, 10 and 11.

Reconciliation of capital expenditure to cash flow statement

	Intangible assets $'000	Assets under development $'000	Property plant and equipment $'000	Total $'000
Capital expenditure additions (see notes 9,10 and 11)	**76,744**	**(867)**	**32,774**	**108,651**
Non cash movement on decommissioning provision	**-**	**(903)**	**2,544**	**1,641**
Effect of working capital	**-**	**14,957**	**(11,706)**	**3,251**
Cash flow statement (expenditure net of share of cash calls funded by joint venture partners)	**76,744**	**13,187**	**23,612**	**113,543**

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3. Impairment of oil and gas assets

	2014			2013
	Egypt	Bulgaria	Total	Total
	$'000	$'000	$'000	$'000
Impairment of oil and gas assets	**47,130**	**33,348**	**80,478**	-
Stock provision	**5,912**	**-**	**5,912**	-
Total	**53,042**	**33,348**	**86,390**	-

An impairment review was conducted on the Group's producing assets in Egypt and Bulgaria at the year end. In Egypt, a lower NPV arose as a result of a revision to reserves in West Khilala and commodity price downgrades. In Bulgaria, the lower NPV arose principally as a result of lower gas prices and increased future capex estimates. See note 11 for further information.

4. Finance income and expense

	2014	2013
	$'000	$'000
Interest income	**716**	1,623
Foreign currency gain	**1,568**	-
Change in fair value of derivative liability relating to exercised warrants	**574**	48
Total finance income for the year	**2,858**	1,671
Interest expense	**(11,387)**	(12,494)
Foreign currency loss	**-**	(940)
Amortisation of loan fees	**(4,504)**	(6,064)
Finance and arrangement fees	**(1,866)**	(1,649)
Unwinding of discount on decommissioning provision	**(651)**	(644)
Other finance expense	**(131)**	(46)
Total finance expense for the year	**(18,539)**	(21,837)
Net financing cost	**(15,681)**	(20,166)

5. Statutory information

	2014 $'000	2013 $'000
The loss for the financial year is stated after charging:		
Auditor's remuneration		
- audit services	**231**	292
- other assurance services	**155**	416

Amounts paid to the Company's auditors in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information has been disclosed on a consolidated basis. The auditor's remuneration for audit services to the Company was $0.06m. Other assurance services provided by the auditors in 2013 and 2014 related primarily to the deferred step up to the main stock exchange listing.

For details of Directors' emoluments during the year see Directors' Remuneration Report.

For details of operating leases see note 23.

As permitted by Section 304 (2) of the Companies Act 2014, the Company income statement has not been separately presented in these financial statements. The loss reported in the Company income statement for the year was $238.0m (2013: $69.8m).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

6. Income tax expense

	2014 $'000	2013 $'000
Current tax expense		
Current year	**23,759**	24,199
Deferred tax expense		
Origination and reversal of temporary differences	**(14,149)**	(9,843)
Income tax expense	**9,610**	14,356

The difference between the total current tax shown above and the amount calculated by applying the standard rate of Irish corporation tax to the loss before tax is as follows:

Loss before tax	**(271,980)**	(4,477)
Tax credit on Group loss at standard Irish corporation tax rate applicable to the Company of 25%	**(67,995)**	(1,119)
Effects of:		
Non deductible expenses/(non chargeable income)	**46,568**	(1,163)
Tax charge on farmout consideration not recognised in profit or loss	**934**	-
Other temporary differences	**(15,711)**	-
Losses utilised	**9,637**	-
Deferred tax not recognised (arising primarily on tax losses)	**24,413**	11,852
Prior year losses not previously recognised	**-**	(980)
Under/(over) provided current tax in prior years	**249**	534
Effect of tax rate in foreign jurisdictions	**11,515**	5,232
Income tax expense	**9,610**	14,356

Tax treatment on farm-out transaction

In June 2014, the completion of the Algerian farm-out was effected by way of a sale and purchase agreement, under which Sonatrach acquired a further 18.375% interest in the Isarene PSC covering Blocks 228 and 229a. The consideration comprised $20m payment on completion of the transaction; a further US$140m carried payment of Petroceltic's share of Ain Tsila project development cost from the effective date of 4 July 2013, and contingent payments of up to US$20m based on the achievement of certain project related milestones. Tax payable in respect of the Algerian farm-out is US$0.9m.

7. Employee data

	2014 $'000	2013 $'000
Employee costs included within the income statement for the year were as follows:		
Salaries and bonuses	**15,694**	18,932
Social insurance costs	**1,690**	1,921
Pension contributions to defined contribution schemes	**1,099**	1,223
Cost of share awards in respect of employee service	**3,759**	5,017
	22,242	27,093
Additional employee costs capitalised in the balance sheet for the year were as follows:		
Salaries and bonuses	**10,287**	9,335
Social insurance costs	**2,167**	1,898
	12,454	11,233

Weighted average number of employees of the Group	2014 Number	2013 Number
Operations and exploration	**90**	89
Finance and administration	**78**	78
	168	167

At 31 December 2014, the total number of employees across the Group was 171 (2013: 171).

8. Earnings per share

	2014	2013
Basic and diluted loss per ordinary share:		
Loss for the year ($'000)	**(281,590)**	(18,833)
Number of ordinary shares in issue - start of year	**175,537,405**	175,537,405
Shares issued during the year	**38,556,896**	-
Shares in issue at end of year	**214,094,301**	175,537,405
Weighted average number of ordinary shares in issue - basic and diluted	**196,225,498**	175,537,405
Basic loss per ordinary share (cents)	**(143.50)**	(10.73)
Diluted loss per ordinary share (cents)	**(143.50)**	(10.73)

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FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

The average market value of the Company's shares which would be used for the purposes of calculating the dilutive effect of share options and warrants was based on quoted market prices for the period in which the options and warrants were outstanding during the reporting period. However, the Group reported a loss for the year and therefore the dilutive impact of share options and warrants is to reduce the loss per share and therefore is not dilutive. Consequently, the reported diluted loss per share is the same as the basic loss per share. Share options and warrants in issue as at 31 December 2014 would increase the weighted average number of shares by 6,369,448 (2013: 2,471,453).

9. Intangible exploration and evaluation assets

Group

	Egypt $'000	Black Sea $'000	Kurdistan $'000	Other Europe $'000	Total $'000
At 1 January 2013	2,241	26,397	62,849	13,949	105,436
Additions	4,648	23,894	22,794	3,116	54,452
Transfer to property, plant and equipment	(1,224)	-	-	-	(1,224)
Unsuccessful exploration costs	(4,180)	(27,718)	-	(1,155)	(33,053)
At 31 December 2013	**1,485**	**22,573**	**85,643**	**15,910**	**125,611**
At 1 January 2014	**1,485**	**22,573**	**85,643**	**15,910**	**125,611**
Additions**	**14,931**	**24,355**	**33,584**	**3,874**	**76,744**
Transfer to property, plant and equipment	**(2,706)**	**-**	**-**	**-**	**(2,706)**
Unsuccessful exploration costs*	**(3,658)**	**(46,928)**	**(119,227)**	**(84)**	**(169,897)**
At 31 December 2014	**10,052**	**-**	**-**	**19,700**	**29,752**

* Relates to the costs associated with drilling exploration wells which were unsuccessful and the write off of other capitalised costs where a decision has been made to exit a licence. Black Sea exploration was fully written off in the year as were the Shakrok and Dinarta permits in the Kurdistan region of Iraq. Included in this balance were write-offs of $25.1m relating to Muridava (Block Ex-27) in Romania; $21.8m relating to Est Cobalcescu (Block Ex-28) in Romania; $3.7m in relation to the South Dikirnis exploration well in Egypt; $51.4m relating to the Shakrok Permit in the Kurdistan region of Iraq and $67.8m relating to the Dinarta permit in the Kurdistan Region of Iraq. In addition, a provision has been recognised in respect of a further $9.9m relating to 2015 costs arising in the Kurdistan Region of Iraq up to the exit date.

** Additions include a credit amount of $14.7m (2013: $22.5m) relating to Romanian costs billed to joint venture partners.

The Group's strategy is focussed on delivering from its core producing and development assets, whilst maintaining balanced exposure to longer term exploration, for this reason and following two unsuccessful exploration wells in Romania, a decision was made to divest from its exploration acreage in Romania and the write off of all associated costs, see note 27 for further information.

In Kurdistan, the Shakrok prospect commenced drilling in August 2013 and reached its target depth in March 2014. While a number of prospective zones were identified and gas condensate was identified on logs, the production tests did not provide any encouragement as to the possibility for a commercial discovery and the joint venture took the decision to relinquish the licence in July 2014, and all costs in relation to the licence were written off. The Shireen prospect commenced drilling in June 2014, and encountered significant delay due to operational challenges and security concerns which led to the evacuation of all international personnel in October 2014. The well ultimately reached a maximum depth of 1430m in Jurassic formations in December 2014 before being suspended while forward options were reviewed. This review concluded that an additional well would be required to further evaluate the exploration potential of the prospect, and that further operational difficulties could not be ruled out. Following this analysis, and as all PSC work program obligations had been fulfilled, Hess and Petroceltic jointly elected to withdraw from the Dinarta licence without any further drilling. All costs in relation to the licence have thus also been written off.

The Directors continue to assess the impact of the environmental legislation in Italy on the carrying value of the Group's assets of $18.1m, the "Restart Italy" decree, passed into law in November 2014, builds on the National Energy Strategy of 2013. In light of this new legislation, the Group has re-submitted the Environmental Impact Assessments ('EIA) for approval for both BR268 Elsa and Carpignano Sesia. The EIA for the Elsa-2 well was resubmitted in July 2014 with Carpignano Sesia being submitted in December 2014. In 2015, technical approval was received for the Elsa-2 EIA, while the Group is awaiting formal approval, this increases the probability that the Elsa-2 well will be drilled although the timing remains uncertain.

The Directors have considered the licence, exploration and appraisal costs capitalised in respect of all exploration and evaluation assets, which are carried at historical cost to the Group. These assets have been assessed for impairment, in particular with regard to remaining licence terms, likelihood of licence renewal, requirement for further expenditures and on-going appraisal for each area, details of which are further described in the Chairman and Chief Executive's statements. The Directors have considered whether there are any indicators of impairment at 31 December 2014 and note that future realisation of the value of these oil and gas interests is dependent on further successful exploration activities. The Directors formed the view that no write off or impairment charge; except for those disclosed, is required.

10. Assets under development

Group and Company	Algerian oil and gas assets under development 2014 $'000	2013 $'000
At 1 January 2014	**183,697**	172,692
Expenditure capitalised in the year*	**(867)**	11,115
Upfront farm-out payment	**(20,000)**	-
Non cash movement on decommissioning obligations	**(903)**	(110)
At 31 December 2014	**161,927**	183,697

* Credits set against expenditure capitalised in the year includes $7m (2013: $3.7m) relating to Algerian cash calls funded by joint venture partners and $31.7m (2013: $nil) relating to the Sonatrach farm-out carry (consisting of $19.4m credited during the year and $12.3m accrued receivable).

Farm-out of Algerian asset

During the year, the Group completed the sale of an 18.375% interest in the Isarene PSC to Sonatrach, the National Oil and Gas Company of Algeria. The terms of the agreement with Sonatrach provide for a consideration of up to a maximum amount of US$180 million. The consideration receivable under the contract comprises US$20 million payment on this completion of the transaction, a further US$140 million payment of Petroceltic's share of Ain Tsila project development cost from the effective date of 4 July 2013, and contingent payments of up to US$20 million based on the achievement of certain project related milestone. Post completion, Petroceltic has a 38.25% interest, Sonatrach has a 43.375% interest, and Enel maintains its 18.375% interest. Petroceltic remains operator of the license.

The development plan, which remains on schedule, targets first gas from the Ain Tsila field in Q4 2018. A contract for Front End Engineering and Design ("FEED") was awarded in 2014. The major Engineer, Procure and Construct ('EPC') contract for the project, is expected to be tendered for and awarded in 2015.

On the basis of the stage of development, the directors deemed it appropriate to account for the farm-out transaction in accordance with the Group's accounting policy for Farm-outs arrangements in the pre-production phase. Consequently, the initial US$20 million payment has been offset against the carrying value of the asset at the completion date and no gain or loss recognised. Subsequent payments received under the carry arrangement have been directly offset against the related capital expenditure. As at 31 December 2014, approximately $120 million of the carry remained available.

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FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

11. Property, plant and equipment

Group	Oil and gas production assets Egypt $'000	Black Sea $'000	Other Europe $'000	Non oil and gas assets $'000	Total $'000
Cost					
At 1 January 2013	283,938	145,420	376	2,377	432,111
Additions	54,132	40,565	-	524	95,221
Transfer from intangible assets	1,224	-	-	-	1,224
Movement on decommissioning obligations	2,096	2,088	-	-	4,184
At 31 December 2013	341,390	188,073	376	2,901	532,740
Depletion and depreciation					
At 1 January 2013	13,439	12,247	98	840	26,624
Depletion	52,645	40,095	45	-	92,785
Depreciation	-	-	-	739	739
At 31 December 2013	66,084	52,342	143	1,579	120,148
Net book value					
At 31 December 2013	275,306	135,731	233	1,322	412,592
Cost					
At 1 January 2014	**341,390**	**188,073**	**376**	**2,901**	**532,740**
Additions	**26,235**	**5,770**	**-**	**769**	**32,774**
Transfer from intangible assets	**2,706**	**-**	**-**	**-**	**2,706**
Movement on decommissioning obligations	**1,270**	**1,274**	**-**	**-**	**2,544**
At 31 December 2014	**371,601**	**195,117**	**376**	**3,670**	**570,764**
Depletion and depreciation					
At 1 January 2014	**66,084**	**52,342**	**143**	**1,579**	**120,148**
Depletion	**54,143**	**34,328**	**27**	**-**	**88,498**
Impairment	**47,130**	**33,348**	**-**	**-**	**80,478**
Depreciation	**-**	**-**	**-**	**552**	**552**
At 31 December 2014	**167,357**	**120,018**	**170**	**2,131**	**289,676**
Net book value					
At 31 December 2014	**204,244**	**75,099**	**206**	**1,539**	**281,088**

Reserves and depletion

The volume of recoverable proved plus probable reserves which it is estimated will be recovered from the Group's oil and gas properties has a direct impact on the calculation of the depletion charge in respect of production assets. This volume has been estimated by the Directors based on evaluations by independent consultants and on evaluations by senior management of the Group as audited by independent consultants Senergy and AGR Tracs. These reserves are set out on page 9. The effective depletion rate for the Bulgarian assets is 20% and for the Egyptian assets is 15.7%. Additional costs to complete included in the depletion calculation are $39.6m for Egypt and $45.5m for Bulgaria. As at 31 December 2014, the average recovery factors applied to the in place volumes of gas and liquids in deriving the 2P recoverable reserves for Bulgaria and Egypt are 78%, and 68% (on a weighted average basis for oil and gas) respectively. The 2P reserves values declared capture the economic cut off point when it becomes sub-economic to continue production in the various jurisdictions.

Valuation of oil and gas production assets

These assets are reviewed annually for indicators of impairment or more frequently when there is an indication that the CGU may be impaired. The impairment assessment is undertaken by comparing the future discounted cash flows expected to be derived from production of commercial reserves (the value in use) against the carrying value of the asset. The cash flows are long term in nature, up to 20 years, and justified by the period required in order to complete the extraction of the oil and gas reserves. The assumptions involved in impairment measurements include estimates of commercial reserves and production volumes, future oil and gas prices and the level and timing of expenditures, all of which are inherently uncertain.

The net present value of future cash flows expected to be derived from the field/ concession was estimated based on the following pricing and volume assumptions:

	2014	2013
Pricing assumptions		
Oil per bbl forthcoming year	**$58.82**	$87.30
Oil per bbl -2016	**$67.28**	$87.30
Oil per bbl -2017	**$70.67**	$87.30
Oil per bbl every year thereafter	**$85.00**	$87.30
LPG per bbl	**$44.42**	$56.75
Gas (Egypt) per mcf	**$2.75**	$2.75
Gas (Bulgaria) per mcf forthcoming year	**$7**	$8.50
Gas (Bulgaria) per mcf every year thereafter	**$8**	$8.50
Volume assumptions		
Oil/ liquids (Mbbl)	**3,783**	3,939
Gas (MMcf)	**99,349**	130,990

These assumptions reflect current prices received on either the open market or from long term contracts and an assessment of future prices based upon externally available information. No growth in oil or gas prices has been assumed beyond a period of 5 years. In both Egypt and Bulgaria, a discount rate of 9% (2013: 9%) was applied. Key assumptions are also made in respect of the future cost profiles of the ongoing development and production of each field/ concession. The estimates used are consistent with detailed field development or production plans which form a core part of the Group's operating strategy.

Impairment of producing assets

Following an impairment review, the carrying values of the producing assets in Egypt and Bulgaria have been revised downwards.

In Egypt, the impairment is due mainly to commodity price downgrades affecting the projected value of the liquid resources and also due to a gas reserve write down in the West Khilala field. The year end 2014 ultimate proved plus probable reserves at West Khilala are 250 Bcfe and the remaining reserves estimated at 42 Bcfe. These figures reflect a downward revision of some 35 Bcfe based on the West Khilala-3 sidetrack results and other recent well performance data. This reserve write-down had a direct impact on the NPV of the asset and this contributed to the impairment charge at year end.

NOTES TO THE FINANCIAL STATEMENTS
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In Bulgaria, the impairment is due to lower projected gas prices increased future capex estimates and a downward revision to reserves, mainly in the Kavarna field. The Kaliakra-1 well rate has continued to slowly decline to its current rate of 2 MMcfpd suggesting that the well is only in partial pressure communication with the main field area. Hence, the Company is considering an additional well (Kaliakra-2) to fully drain the field. The Kavarna-1 well has experienced water breakthrough and is likely to be shut-in when the Kavarna East field comes on stream. Both Kaliakra-2 and Kavarna East contribute to the increased future capex estimate required in Bulgaria and this has a direct impact on the NPV of the asset and therefore the impairment charge.

The net present value of the assets are calculated using a discount rate of 9% as set out above. A 1% increase in the discount rate would cause a $7.4m reduction of the carrying value. Pricing assumptions are set out above, a $1/mcf reduction of the gas price would cause a $16.5m reduction of the carrying value of the producing assets and a $10/bbl reduction would cause a $37.4m reduction of the carrying value of the producing assets.

12. Investment in subsidiaries

Company	2014 $'000	2013 $'000
Balance at beginning of year	**550,621**	326,902
Increase in respect of share-based payments	**3,759**	5,017
Impairment provision against intercompany loans	**(250,000)**	-
Net movement on parent company loans	**34,288**	218,702
Balance at end of year	**338,668**	550,621

The Directors have considered the carrying value of the Company's investments in subsidiaries, including loans advanced by the Company to various Group entities. Arising from write-downs in the values of various assets held by subsidiary undertakings, particularly Kurdistan and Romania, the recoverable value of these loans has been determined to be impaired and a provision of $250m has been recognised in the year in the Company financial statements. The directors have determined that the remaining carrying value of the interests in subsidiaries after impairment provisions is, in each case, supported by the recoverable value of assets held by these entities which comprise, in particular, the Group's interests in various exploration and evaluation assets, production assets and receivables from third parties.

Details of subsidiaries are set out in note 25.

13. Inventories

Group	2014 $'000	2013 $'000
Engineering inventories held at year end - at gross cost	**24,612**	21,290
Egypt inventory impairment	**(5,912)**	-
Romania inventory written down as unsuccessful exploration costs	**(2,444)**	-
Engineering inventories carrying value at year end	**16,256**	21,290

The Group has assessed the carrying value of its inventories at year end and to account for the risk that some of its older inventory may not hold its existing value, the Group has provided against 50% of all Egyptian inventory older than 3 years.

The Group has assessed the carrying value of its Romanian inventory and has provided for a write down of 65% of the inventory balance; this is based on an external valuation of the inventory held at year end.

14. Trade and other receivables

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Amounts falling due within one year				
Trade receivables	**72,340**	88,512	**16,691**	-
Prepayments and other receivables	**10,195**	25,975	**54**	133
Corporation tax recoverable	**227**	190	**-**	-
	82,762	114,677	**16,745**	133
Amounts falling due after one year				
Other receivables*	**14,610**	8,798	**2,164**	6,008
	14,610	8,798	**2,164**	6,008

* Included is an Egyptian cash deposit of $5.6m, a Greek cash deposit of $3.5m and a Bulgarian cash deposit of $3.3m held to cover licence commitment obligations. The balance relates to a debt service reserve account of $2.2m which is held for security on loan interest repayments.

During 2014, Petromar, a joint venture partner on the Group's Romanian licences, defaulted on its payments and the Group sought to address its exposure via legal proceedings against Petromar and an affiliate company and under the terms of the JOA. $7.5m of the Petromar debt was partially recovered from the other JOA partners. Of the remaining Petromar debt, $14.1m was recategorised from receivables to intangible assets on the basis that if Petromar had not been a partner on the licence, this element would have been classified as intangible assets, and this was subsequently written off. The remaining Petromar debt of $4.3m is included in trade and other receivables and comprises the balance recoverable from other JOA partners of $2.5m and includes $1.8m of VAT incurred by the Group.

See note 27 for further information.

The Group's exposure to credit and currency risks related to trade and other receivables is set out in note 24.

15. Cash and cash equivalents

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Cash at bank	**52,773**	53,869	**475**	2,710

In addition to cash at bank at 31 December 2014, the Group also maintained a balance of $2.2m (2013: $6.0m) in a debt service reserve account (note 14).

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16. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Amounts falling due within one year				
Trade payables	**21,221**	22,458	**55**	114
Other payables	**5,908**	2,929	**-**	-
Accruals	**13,787**	22,662	**6,225**	2,668
	40,916	48,049	**6,280**	2,782

The Group's exposure to currency and liquidity risks related to trade and other payables is set out in note 24.

17. Loans and borrowings

	2014	2013
Group and Company	$'000	$'000
Amounts falling due within one year		
Bank loan	**38,000**	45,750
Amounts falling due after one year		
Bank loan	**158,365**	241,446
Total*	**196,365**	287,196

* Includes $9.6m (2013:$13m) of loan fees capitalised to give a carrying value of the loan of $206m (2013: $300m)

The Group and Company's interest-bearing loans and borrowings are measured at amortised cost. In April 2013, the Group signed a financing agreement for up to $500m with a syndicate of international banks including mandated lead arrangers HSBC, the IFC (a member of the World Bank Group), Nedbank and Standard Chartered Bank. As of 31 December 2014 and 31 March 2015, the Group had gross interest bearing debt of $214m (carrying value of $206m is net of $8m repayment funds held on account) and $208m respectively, all of which was drawn under the Bank Facilities. The Bank Facilities originally consisted of two tranches – Tranche A and Tranche B. Tranche A is an amortising senior reserve-based lending tranche of up to USD 375 million ("Tranche A"), while tranche B was originally intended to be a development financing tranche of up to USD 125 million ("Tranche B"). Tranche B has never been drawn and it is intended that Tranche B will be cancelled in full on or prior to issuance of the $175 million Bonds announced on 29 June 2015. The amount available under Tranche A is currently USD 208 million and the facilities are currently fully drawn. The Company and the Lenders have agreed that the amortisation schedule in respect of Tranche A, as at the date of issuance of the Bonds, will not be amended until 30 September 2016. Thereafter, the facilities may reduce on pre-agreed redetermination dates and will be limited by reference to the value of the reserves (according to pre-agreed valuation methodology) of certain petroleum assets of the Group in Egypt and Bulgaria.

The Bank Facilities contains extensive representations, undertakings and events of default, as is typical for facilities of this nature, which regulate the activities of the Group.

In addition to amounts disclosed as due within one year, a further amount of $35m will be repaid from Senior Secured Bond proceeds upon gazettal of the Avenant to the Isarene PSC permitting the transfer of Petroceltic's interest to a subsidiary. As there is no formal timetable for this process, and as there are no specific obligations to effect this repayment on or by a specific date, this amount has been classified as due after one year.

18. Provisions

	Group		Company
	Non current	Current	Non current
	$'000	$'000	$'000
Decommissioning provisions			
At 1 January 2013	26,733	265	3,539
Additions	144	606	-
Utilised in the year	(1,549)	-	-
Changes in estimate	3,280	-	(110)
Unwinding of discount	644	-	140
At 31 December 2013	29,252	871	3,569
At 1 January 2014	**29,252**	**871**	**3,569**
Additions	**-**	**-**	**-**
Utilised in the year	**-**	**(303)**	**-**
Changes in estimate	**1,944**	**(303)**	**(903)**
Unwinding of discount	**650**	**-**	**80**
At 31 December 2014	**31,846**	**265**	**2,746**
Other provisions			
At 1 January 2014	**-**	**-**	**-**
Additions	**-**	**9,994**	**-**
At 31 December 2014	**-**	**9,994**	**-**
Total Provisions At 31 December 2014	**31,846**	**10,259**	**2,746**

Decommissioning provisions relate to the best estimates of costs expected to be incurred in fulfilment of the Group's obligations regarding the decommissioning of Algerian (historic exploration and appraisal), Bulgarian and Egyptian wells and these costs are expected to be incurred between 2015 and 2030 (2013: 2014 and 2030). The provision at 31 December 2014 represents the present value of the estimated cost, using existing technology at current prices (which are adjusted for estimated inflation), of decommissioning the Group's oil and gas wells and production facilities in Egypt, Bulgaria and Algeria in accordance with best oilfield practice and applicable accounting standards. The discount factor used reflects an applicable risk free rate, taking into account the currency in which the provision will be settled. The discount factor used in 2014 was 2% (2013: 3%).

Other provisions relate to the remaining costs required to close out operations in Kurdistan for the Shakrok and Dinarta permits. This provision is the Group's best estimate of the outstanding obligations provided at the balance sheet date for costs to be incurred in 2015 relating to exit costs, demobilisation of the rigs, abandonment and reclamation works for the well sites which are a condition of relinquishing the licence.

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19. Deferred tax

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Group						
Property, plant and equipment	**-**	-	**(2,942)**	(515)	**(2,942)**	(515)
Acquisition of exploration and development rights	**-**	-	**(28,800)**	(44,600)	**(28,800)**	(44,600)
Provisions	**1,500**	1,343	**-**	-	**1,500**	1,343
Tax losses carried forward	**2,619**	2,000	**-**	-	**2,619**	2,000
Tax assets/(liabilities)	**4,119**	3,343	**(31,742)**	(45,115)	**(27,623)**	(41,772)
Set-off of tax (liabilities)/assets	**(1,500)**	(1,343)	**1,500**	1,343	**-**	-
Net tax assets/(liabilities)	**2,619**	2,000	**(30,242)**	(43,772)	**(27,623)**	(41,772)

Movement in deferred tax during the year

Group	01 Jan 2013 $'000	Recognised in income $'000	31 Dec 2013 $'000	Recognised in income $'000	31 Dec 2014 $'000
Property, plant and equipment	(1,944)	1,429	(515)	**(2,427)**	**(2,942)**
Acquisition of mineral rights	(50,792)	6,192	(44,600)	**15,800**	**(28,800)**
Provisions	1,121	222	1,343	**157**	**1,500**
Tax losses carried forward	-	2,000	2,000	**619**	**2,619**
Net tax liabilities	**(51,615)**	**9,843**	**(41,772)**	**14,149**	**(27,623)**
Company					
Tax losses carried forward	-	2,000	2,000	**(2,000)**	**-**
Net tax assets/(liabilities)	-	2,000	2,000	**(2,000)**	**-**

Deferred tax assets have arisen within the Group as a result of losses in one of Petroceltic's Bulgarian subsidiaries. These will be fully offset against profits in future accounting periods.

Unrecognised deferred tax assets and liabilities

Group

Deferred tax assets not recognised in the Group, all of which relate to unrecognised tax losses, amounted to $42m (2013: $28m).

Company

Unrecognised deferred tax assets in the Company as at 31 December 2014, all of which related to unrecognised tax losses, amounted to nil (2013: $7.1m).

20. Share capital

	2014 €	2013 €
Authorised		
400,000,000 Ordinary shares of €0.3125	**125,000,000**	125,000,000
200,000,000 Deferred shares of €0.114276427	**22,855,285**	22,855,285
	147,855,285	147,855,285

Issued, called up and fully paid	No of shares	Ordinary share capital $'000	Share premium $'000
At 1 January 2013	175,537,405	87,249	546,290
At 31 December 2013	175,537,405	87,249	546,290
At 1 January 2014	**175,537,405**	**87,249**	**546,290**
Shares issued during the year	**38,556,896**	**16,466**	**80,398**
At 31 December 2014	**214,094,301**	**103,715**	**626,688**

During the year, the Group raised $96.6 million (net of directly attributable share issue costs) by way of a share placing. Shares were issued in two tranches at a share price of £1.57. The first tranche of 8,776,870 shares was issued in May 2014 and a further tranche of 29,163,130 shares were issued in June 2014. In January 2014, Macquarie exercised their subscription rights relating to the first tranche of 600,000 warrants granted to them in October 2011 at a subscription price of £1.13. The Total Received Ordinary Shares ('TROS') amounted to 240,845 ordinary shares and the aggregate nominal value paid in consideration of these shares was €75,264. These new shares were admitted to trading on the AIM and ESM exchanges on 14 January 2014. In October 2014, Macquarie exercised their subscription rights relating to their remaining warrants set out below:

Date of Grant	No. of Warrants	Subscription Price GB£
08-Nov-11	600,000	1.4025
1-Dec-11	113,692	1.715
3-Jan-12	316,841	1.95
3-Jan-12	400,000	1.95
10-Feb-12	332,259	2.06

The Total Received Ordinary Shares ('TROS') amounted to 376,051 ordinary shares and the aggregate nominal value paid in consideration of these shares was €117,516. These new shares were admitted to trading on the AIM and ESM exchanges on 22 October 2014.

At year end, Directors hold 19% (2013: 24%) of ordinary shares and 21% (2013: 26%) assuming that all outstanding share options vest and are exercised. The maximum number of share options which can be outstanding is 10% of issued share capital.

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21. Share-based payments: Share options and warrants

Group share schemes

The Group has made awards to employees under a number of share based payments arrangements, the '2004 Incentive Scheme', the '2009 Incentive Scheme', the '2013 Share Option Plan'; and the '2013 Performance Share Plan'. All awards made are equity-settled share-based payments as defined in IFRS 2. This standard requires that a recognised valuation method be employed to determine the fair value of awards. The fair value of awards has been arrived at through applying a binomial lattice model, with a discount for market conditions applied to the fair value determined by this model based on a Monte Carlo simulator analysis. Under the 2004 and 2009 Schemes, options awarded may only be exercised if predetermined growth rates in the Company's share price are achieved. In 2013, two further share option schemes were established- the PSP 'Performance Share Plan' and the SOP 'Share Option Plan'. The PSP scheme is open to executive directors and senior management with the SOP scheme being open to certain Petroceltic staff.

PSP Scheme: Awards are exercisable only if the total shareholder return ("TSR"), the combination of any share price increase and any dividends paid, of Petroceltic's shares equals or exceeds the median TSR of a peer group of comparable listed entities over the three year vesting period. 25% vesting is achieved for median TSR and 100% vesting is achieved for upper quartile TSR performance. There is straight line vesting between median and upper quartile. The TSR is compared with a number of Peer Group companies over the three-year performance period. No part of the Award will vest if the Company's performance is below the median of the peer group and the whole of the award will vest if it is above the upper quartile. All or part of Awards which do not vest lapse immediately. A scheme member will be able to exercise their Award to acquire Shares, to the extent it has vested, at any time during the six-month period following the third anniversary of the Grant Date (the "Normal Vesting Date"). The Award expires at the end of that six-month period.

SOP Scheme: Awards are exercisable at any time after the third anniversary of the Grant date until the Option expires on the seventh anniversary of the grant date or the tenth anniversary in the case of UK based employees under an Inland Revenue approved scheme. The exercise price established based on the market price at the date of grant is £1.53 and £127.2 respectively.

In 2011, the Group issued warrants to Macquarie in lieu of arrangement and facility fees. The related loan was repaid in full in 2012 and, at that date, warrants to acquire a total of 2,362,792 shares in the Company had been issued to Macquarie. In 2014, Macquarie exercised their subscription rights relating to the 2,362,792 warrants granted to them at a range of subscription prices between £1.13 and £2.06. The Total Received Ordinary Shares (TROS) amounted to 616,896 and the aggregate nominal value paid in consideration of these shares was €192,780. The new shares were admitted to trading on the AIM and ESM exchanges on 14 January and 22 October 2014.

The share-based payment charge for the year is as follows:

Group	2014 $'000	2013 $'000
Charge relating to employees recorded in the consolidated income statement	**3,759**	5,017

The movement on outstanding share options and issued warrants during the year was as follows:

	2014 Number of options/ warrants	2014 Weighted average exercise price Stg pence per share	2013 Number of options/ warrants*	2013 Weighted average exercise price Stg pence per share
Outstanding at start of year	**16,587,064**	**157.33**	14,373,327	190.26
Granted during the year- SOP options	**773,938**	**128.70**	687,227	151.70
Granted during the year- PSP conditional shares	**2,926,292**	**-**	2,540,851	-
Lapsed during the year- options*	**(1,222,350)**	**234.72**	(1,014,341)	226.02
Exercised during the year - warrants	**(2,362,792)**	**160.69**	-	-
Outstanding at end of year	**16,702,152**	**145.03**	16,587,064	157.33
Of which:				
Exercisable at year end	**652,000**	**1.10**	2,720,117	157.31

*The fair value of share options which lapsed during the year was $2.3m and this has been recognised as a debit to the share based payment reserve and a credit to retained earnings. There were no options exercised during the year.

The assumptions used to determine the fair value of options and conditional shares granted in the year were as follows:

	2014	2013
Weighted average share price of all options and conditional shares at date of grant (Stg pence)	**173.4p**	190.0p
Average exercise price (Stg pence)	**127.9p**	163.4p
Average expected volatility (%)	**57.48%**	60.58%
Average expected term to exercise (years)	**3**	4
Average risk free rate (%)	**0.75%**	1.4%
Expected dividend yield	**0%**	0%
The resulting fair values were:		
Weighted average fair value of PSP nil cost conditional shares granted during the year (Stg pence)	**92p**	109p
Weighted average fair value of other options granted during the year (Stg pence)	**43p**	72p

Of the 2004 Incentive Scheme share options, half were standard options and half were super options, the difference between the two classes of options in this scheme being the market-based vesting conditions which require the share price of the Company to increase from the market value at grant date by 10% (standard options) or 20% (super options) per annum, compounded year on year from the effective date of grant to the exercise date. The market-based vesting conditions in the 2009 Incentive Scheme require the share price of the Company to achieve or exceed a figure which is 30% greater than the exercise price.

Expected share price volatility was determined by taking account of historical daily share price movements over the three years prior to grant date.

The average expected term to exercise used in the models is based on the Directors' best estimate, taking account of behavioural conditions, forfeiture and historical experience.

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FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

The risk free rate has been determined from market yields for a 3 year UK Treasury Bill with outstanding terms equal to the average expected term to exercise for each relevant grant.

At 31 December 2014, the following options over ordinary shares were outstanding:

Type	Number	Exercise price (Stg pence)	Exercise period
2004 Incentive scheme			
Options	796,000	160	Up to 25 August 2015
2009 Incentive scheme			
Options	843,200	222.5	Up to 14 July 2016
Options	1,652,000	285	Up to 10 June 2018
Options	652,000	110	Up to 3 October 2018
Options	1,219,800	197.5	Up to 21 December 2018
Options	260,000	197.5	Up to 20 September 2019
Options	236,000	222.5	Up to 20 September 2019
Options	4,260,000	169.5	Up to 6 November 2019
2013 Incentive Schemes			
Performance Share Plan			
Conditional shares	2,407,952	-	Up to 16 March 2017
Conditional shares	171,429	-	Up to 2 June 2017
Conditional shares	2,838,190	-	Up to 12 June 2018
Share Option Plan			
Options	260,102	151.7	Up to 16 September 2020
Options	331,541	151.7	Up to 16 September 2023
Options	19,607	153	Up to 16 May 2024
Options	25,393	153	Up to 16 May 2021
Options	124,600	127.2	Up to 12 December 2024
Options	604,338	127.2	Up to 12 December 2021

22. Related party transactions – Group and Company

Identity of related parties

Related parties include key management which the Group defines as Directors and senior management. There were no material related party transactions in the Group or Company during the year other than as stated below.

Contract of significance

Under the terms of a Net Profit Interest Agreement relating to the Galata gas field in Bulgaria and originally entered into in 1998 an amount of $0.6m (2013: $0.6m) is payable in respect of 2014 to Orbis Holding Limited, a company in which David Archer (a senior manager in the Group) has a 50% beneficial interest.

Information regarding the Directors' remuneration, shareholdings and share options is contained in the Directors' remuneration report. In addition to their salaries and other elements of their remuneration, the Executive Directors participate in the Group's share option schemes.

In the year ended 31 December 2014, the aggregate total remuneration (including healthcare benefits, pension and bonus but excluding share and share option incentive arrangements) paid by the Group to the senior managers (excluding Directors) was $5m (2013: $4m). In addition, $1m (2013:$1m) of the Group's non-cash charge in respect of share-based payment arrangements referred to in note 21 relates to senior management.

23. Capital commitments and lease commitments – Group

(a) Exploration and production expenditure:

The Group had capital commitments of $66m at 31 December 2014, excluding amounts due to be carried as part of the Algerian farm out to Sonatrach (2013: $120m). The relevant cash outflows will occur over the period to December 2016.

(b) Total commitments payable under non-cancellable operating leases are as follows:

		Property
Group	2014	2013
Operating leases which expire:	$'000	$'000
Within one year	**1,699**	1,614
Between two and five years	**2,049**	3,779
Over five years	**-**	58
	3,748	5,451

The Group has operating lease commitments in respect of office premises located in the Group's areas of operation.

During the year ended 31 December 2014, $1.6m (2013:$1.4m) was recognised as an expense in the consolidated income statement in respect of operating leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

24. Financial instruments

Group and Company

(a) Overview of risk exposures and risk management strategy

The Group and Company can be exposed to various financial risks in the ordinary course of business that include credit, liquidity, currency and interest rate risk. The Group's financial exposures are predominantly related to changes in commodity price, foreign exchange rates and interest rates as well as the creditworthiness of counterparties which impact on financial assets and liabilities. The Group has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group and Company and it is Group policy to manage these risks in a non-speculative manner. The Group has an established treasury risk policy in place and does not use financial derivatives or any other equivalent product on a speculative or trade basis.

This note presents information about the Group and Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing the risk, and the management of liquid resources. Further quantitative disclosures are included throughout the notes to the accounts.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks will be managed effectively. The Board has embedded these structures and procedures throughout the Group and considers there to be a robust and efficient mechanism for creating a culture of risk awareness at every level of management.

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance from fluctuations in financial markets.

(b) Financial assets and liabilities – fair values

(i) Measurement of financial assets and liabilities

The Group and Company financial assets and liabilities comprise:

Financial assets and liabilities	Note	Recognised at
Trade and other receivables	14	Amortised cost
Cash and cash equivalents	15	Amortised cost
Trade and other payables	16	Amortised cost
Loans and borrowings	17	Amortised cost

The fair values of the Group and Company loans and borrowings at 31 December 2014 was $202m (2013: $300m). For all other financial assets and liabilities, the carrying amount is considered equal to fair value.

The method in which the fair value of the Group and Company loans and derivative instruments have been determined using the following hierarchy:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no transfers between Levels 1, 2 or 3 categories in the reporting period.

(ii) Interest bearing loans and borrowings

For interest bearing loans and borrowings, the fair value of the amount drawn at the reporting date has been calculated based on the present value of the expected future principal and interest cash flows discounted at estimated market interest rates effective at the balance sheet date.

(iii) Trade receivables and trade payables

All receivables and payables have a remaining maturity of less than 12 months or are on-demand balances, and therefore the carrying value is deemed to reflect fair value. A portion of overdue Egyptian trade receivables were interest bearing during 2014.

(c) Credit risk

Credit risk arises from the exposure on receivables from various counterparties together with cash held by various financial institutions. Wherever possible, the Group seeks to transact with counterparties of proven credit quality and on defined payment terms. The Group's maximum exposure to credit risk at the reporting date arising from financial assets is the carrying value of cash and cash equivalents and trade and other receivables.

Receivables

The Group's most material receivable balance relates to its Egyptian business. During 2014, the overall amounts outstanding from this counterparty reduced by 35% with significant receipts in December. The reduction in the level of Petroceltic's receivable is in-line with similar reductions in other oil and gas companies, however, the Egyptian receivable position includes a significant proportion of arrears and therefore this continues to be actively monitored by the Group.

During 2014, Petromar, a joint venture partner on the Group's Romanian licences, defaulted on its payments and the Group sought to address its exposure via legal proceedings against Petromar and an affiliate company and under the terms of the JOA. $7.5m of the Petromar debt was partially recovered from the other JOA partners. Of the remaining Petromar debt, $14.1m was re-categorised from receivables to intangible assets on the basis that if Petromar had not been a partner on the licence, this element would have been classified as intangible assets, and this was subsequently written off. The remaining Petromar debt of $4.3m is included in trade and other receivables relates to the balance recoverable from other JOA partners of $2.5m and includes $1.8m of VAT incurred by the Group.

The Group also has amounts receivable relating to its asset in Algeria, where regular payments are being made.

The Group undertakes continued and active monitoring of all its credit risk exposures to ensure all amounts due are received in accordance with the terms and that cash balances are held with counterparties who satisfy credit rating and other criteria.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

Cash and cash equivalents

The Group and Company enters into transactions with financial institutions for the purposes of placing deposits. From a credit risk management perspective, it is the Group's policy to enter into such transactions only with well capitalised financial institutions. Wherever possible funds on deposit are held with banks within our senior financing facility syndicate and, accordingly, the Group does not expect any counterparty to fail to meet its obligations.

Details of these deposits, which are all for terms of three months or less, are as follows:

	Group		Company	
	Balance invested	Weighted average interest rate	Balance invested	Weighted average interest rate
	$'000	%	$'000	%
At 31 December 2014				
US Dollar	**26,196**	**0.0%**	**391**	**0.0%**
Euro	**158**	**0.0%**	**-**	**0.0%**
Sterling	**548**	**0.0%**	**-**	**0.0%**
Bulgarian Leva	**67**	**0.3%**	**-**	**0.0%**
Egyptian Pounds	**25,683**	**5.0%**	**-**	**0.0%**
Other	**121**	**0.0%**	**84**	**0.0%**
	52,773	**0.0%**	**475**	**0.0%**
At 31 December 2013				
US Dollar	34,465	0.0%	2,667	0.0%
Euro	1,163	0.0%	-	0.0%
Sterling	1,335	0.0%	-	0.0%
Bulgarian Leva	31	0.3%	-	0.0%
Egyptian Pounds	16,650	5.0%	-	0.0%
Other	227	0.0%	43	0.0%
	53,871	0.0%	2,710	0.0%

(d) Liquidity risk

At 31 December 2014, the Group's most significant financial commitment is its interest bearing liability on which the principal outstanding at that date was $206m (2013: $300m) relating to a syndicated loan facility. This facility is a reserves based lending facility which is subject to periodic borrowing base reviews linked to the estimated future cash flows of its interests in Egypt and Bulgaria, in respect of which further details are provided at note 17. The year-end reserves adjustment in Egypt and Bulgaria and the current volatility in oil pricing has negatively impacted on the availability of funds under the facility. As set out in note 1(c), the Group has secured amendments to its facility in June 2015. The projected contractual cash flows outlined in respect of this facility in the table below have been estimated based on the projected repayments in 2015 and include an amount of $35m which will be repaid from Senior Secured Bond proceeds upon gazettal of the Avenant to the Isarene PSC permitting the transfer of Petroceltic's interest to a subsidiary.

All cash and cash equivalent amounts are on demand in their respective currencies (see (g) currency risk). All trade and other receivables and trade and other payables are due within three months of the reporting date with the exception of a certain portion of the Egyptian trade receivables due from EGPC.

The Board monitors the availability of and requirements for funds in the Group. Surplus cash within the Group is used to reduce the loans drawn or put on deposit in accordance with limits and counterparties agreed by the Board, the objective being to maximise return on funds whilst ensuring that the short-term cashflow requirements of the Group are met.

The table below sets out the contractual maturities of the financial liabilities, including estimated interest payments based on the contractual terms of all agreements and excluding the impact of netting agreements.

Group	Carrying value $'000	Contractual cashflow $'000	Within 6 months $'000	Due 6 – 12 months $'000	Due 1-2 years $000	Due 2-5 years $000
At 31 December 2014						
Loans and borrowings	**206,000**	**232,630**	**10,955**	**36,276**	**92,333**	**93,066**
Trade and other payables	**40,916**	**40,916**	**40,916**	**-**	**-**	**-**
	246,916	**273,546**	**51,871**	**36,276**	**92,333**	**93,066**
Company						
At 31 December 2014						
Trade and other payables	**6,280**	**6,280**	**6,280**	**-**	**-**	**-**
	6,280	**6,280**	**6,280**	**-**	**-**	**-**

(e) Interest rate risk
Cash and loan amounts are denominated primarily in dollars. Exposure to interest rate risk on cash and loan balances are actively monitored and managed. If interest rates rose by 0.5% based on balances at the reporting date, the Group's loss for the year would increase and equity at year end would decrease by approximately $1.1m (2013: $1.2m) based on financial assets and liabilities held at that date. If interest rates fell by 0.5%, it would have an equal but opposite effect.

	Group		Company	
	Loan balance $'000	Weighted average floating interest rate %	Loan balance $'000	Weighted average floating interest rate %
At 31 December 2014				
Secured bank loans	**206,000**	**4.25%**	**-**	**N/A**
At 31 December 2013				
Secured bank loans	300,000	4.0%	300,000	4.0%

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(f) Commodity price risk

In Egypt, liquids realise market prices based on Western Desert pricing, and during 2014 equated to approximately 99% of Brent (2013: 99%). Gas production from development leases within the El Mansoura and South East El Mansoura Concessions in Egypt is sold under long-term contracts in which the gas price is linked to the oil price when the oil price lies in the range of between $10 per barrel to $22 per barrel. With the oil price at its current level, significantly above $22 per barrel, the gas price is at the top of the contractual range and is, therefore, effectively fixed. In Bulgaria, gas is sold to two suppliers, Bulgargaz EAD, the state owned gas company and Agropolychim, an independent chemicals company. Sales nominations are agreed in advance of the start of the calendar year. The Bulgargaz EAD pricing is agreed for each quarter throughout the year whereas the independent company gas price is at a discount to the local quarterly consumer natural gas price, as published by Bulgargaz EAD. For the year ended 31 December 2014, it is estimated that a general weakening of one percentage point in commodity prices (with the exception of Egyptian gas prices which are effectively fixed when the price of oil is greater than $22 per barrel) would increase the Group's loss before tax by approximately $0.9m (2013: $0.1m).

(g) Currency risk

The US dollar is the primary currency in which the Group and Company conduct business. The dollar is used for planning and budgetary purposes and as the presentation currency for financial reporting. The Group and Company also have some costs, assets and liabilities, denominated in Algerian Dinars, Bulgarian Lev, Egyptian Pounds, Romania Lei, Euro and Sterling. The Group manages the exposure by matching receipts and payments in the same currency to the extent possible and monitoring the residual net position. Certain currencies that the Group holds may not be readily convertible to other currencies on demand, such as Egyptian Pounds (which can only be used in Egypt and are not freely convertible) and Algerian Dinars. The Group has exposure to foreign currency risk as a significant portion of its receipts are denominated in local currency. Whilst the Group's Egyptian Revenue is denominated in USD, a significant portion of the receipts are received in Egyptian pounds. However currency risk is limited to the extent that most Egyptian overhead and capital expenditure can be settled in Egyptian pounds.

In order to minimise currency risk, it is Group policy that borrowings incurred in relation to development projects should be denominated in the currency in which future cash flows from the development projects are denominated, currently dollars. Similarly, it is Group policy that corporate borrowings should be denominated in dollars.

The Group may, from time to time, with the approval of the Board, use derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. No such instruments were in use during the current or prior year. The Group does not undertake any trading activity in financial instruments.

If the dollar increased by 5% in value against non-dollar denominated transactions, the Group's loss for the year would decrease by approximately $1.0m (2013: $0.7m). A 5% weakening would have an equal but opposite effect.

At year end, the Group's foreign currency balances were as follows:

	Group						
	Denominated in Algerian Dinars	Denominated in Euro	Denominated in Sterling	Denominated in Bulgarian Leva	Denominated in Egyptian Pounds	Denominated in Romanian Lei	Other
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2014							
Trade and other receivables	**1,026**	**1,430**	**6,629**	**3,487**	**3,445**	**7,840**	**20**
Trade and other payables	**(2,069)**	**(1,307)**	**(14,104)**	**(1,699)**	**(698)**	**-**	**(314)**
Current tax liability	**-**	**-**	**-**	**(2,661)**	**(1,045)**	**-**	**-**
Cash and cash equivalents	**84**	**158**	**548**	**67**	**25,683**	**31**	**-**
	(959)	**281**	**(6,927)**	**(806)**	**27,385**	**7,871**	**(294)**
At 31 December 2013							
Trade and other receivables	-	964	840	7,269	2,128	-	1
Trade and other payables	(115)	(2,309)	(3,836)	(3,899)	(3,458)	-	(9)
Current tax liability	-	1,657	-	(1,006)	(141)	-	-
Cash and cash equivalents	43	1,163	1,335	31	16,650	21	164
	(72)	1,475	(1,661)	2,395	15,179	21	156

The Company balance is the same as that presented in the Group for Algerian Dinars.

The exchange rates used in the preparation of the financial statements were as follows:

	2014	2014	2013	2013
	$ per foreign currency		$ per foreign currency	
	Average	Year end	Average	Year end
Euro	**1.33**	**1.22**	1.32	1.38
Sterling	**1.65**	**1.55**	1.56	1.65
Algerian Dinars	**0.01**	**0.01**	0.01	0.01
Bulgarian Leva	**0.68**	**0.62**	0.68	0.70
Egyptian Pounds	**0.14**	**0.14**	0.14	0.14
Romania Lei	**0.30**	**0.27**	0.33	0.32

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(h) Capital management
The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the allocation of operating cash flow against projects to maximise the return on asset value within the Group.

The Group seeks to maintain a balance between the levels of debt borrowings undertaken and the advantages and security afforded by a sound capital position. At year end the net debt position decreased to $153m (2013: $246m).

In May 2014, the Group announced that it had successfully raised $100m through an issue of new ordinary shares at a subscription price of £1.57 per share by way of a placing with institutional investors including a new strategic shareholder, Dovenby Capital which subscribed for $50m of the placing. The principal purpose of the Placing was to provide financial flexibility to pursue growth opportunities across Petroceltic's existing portfolio and also through new ventures, to bridge funding pending receipt of Sonatrach farm out proceeds and additional debt availability under the Senior Secured Facility and for general corporate purposes.

In June 2015, the Group announced a contemplated up to $175m Bond Issue in conjunction with a number of amendments to the existing Senior Bank Facilities. The purpose of the Bond will be to provide additional capital to support its financing obligation, ongoing investment in its producing interests and development capital associated with the Ain Tsila development.

25. Subsidiary undertakings
The Company's principal subsidiary undertakings at 31 December 2014, all of which are wholly owned, are as follows:

Name	Place of incorporation	Place of operation	Indirect Holding
Petroceltic Investments Limited	Ireland	Ireland	
Petroceltic Resources plc	England	Scotland	
Petroceltic Ain Tsila Limited	Jersey	Algeria	
Petroceltic Italia S.r.l.	Italy	Italy	
Petroceltic El Mansoura Company	Cayman Islands	Egypt	*
Petroceltic Qantara Company	Cayman Islands	Egypt	*
Petroceltic South East El Mansoura Company	Cayman Islands	Egypt	*
Petroceltic Odyssey El Mansoura Limited	Bermuda	Egypt	*
Petroceltic Odyssey Qantara Limited	Bermuda	Egypt	*
Petroceltic International Petroleum Limited	Bermuda	Egypt	*
Petroceltic S.a r.l.	Luxembourg	Bulgaria	
Petroceltic Bulgaria EOOD	Bulgaria	Bulgaria	*
Petroceltic Romania B.V.	Netherlands	Romania	

All shareholdings are of ordinary shares.

A full list of subsidiary companies is filed with the Registrar of Companies, in the appropriate jurisdiction.

26. Update on legal proceedings

In July 2013, the Group issued legal proceedings in the Irish High Court against two former consultants to the Group, Mr Seghir Maza and Mr Samir Abdelly, and against a Tunisian company owned and controlled by Mr Abdelly (AAIC), seeking to set aside a number of consultancy agreements entered into in 2004 and 2005 with respect to the Group's North African business activities. In November 2013, the High Court of Ireland granted the Group judgment, in default of appearance, against Mr Maza and granted all reliefs sought by the Group in the proceedings. In August 2014, Mr Abdelly, AAIC and the Group entered into a settlement agreement in respect of the proceedings. The Group has withdrawn all claims made in the proceedings. Mr Abdelly and AAIC have withdrawn their counterclaims against the Group and no other legal or contractual arrangements exist between the parties. The proceedings were brought to a conclusion and have been struck out in the Irish High Court.

In December 2014, the Company announced that legal proceedings against it had been issued by Worldview. The proceedings allege that the Company has failed to undertake a review of its business and sought direction from the Court as to the manner in which the review is undertaken. On 21st May 2015, the English High Court dismissed Worldview's action and awarded costs on a standard basis to Petroceltic.

27. Post balance sheet events

In June 2015, Petroceltic completed the sale of the entire share capital of Petroceltic Romania B.V (which held the interests in the Company's two licences in Romania, Block EX-27 Muridava and Block EX-28 Est Cobalcescu) to GVC Investment B.V, a private limited company. Following the completion of this sale to GVC, Petroceltic has no remaining obligations in Romania.

In June 2015, the Group announced that it is contemplating issuing up to $175 million three year Senior Secured Bond. The net proceeds from the Bond Issue will be used to refinance up to $50 million of Petroceltic's outstanding bank debt, finance development capex across Petroceltic's asset portfolio and for general corporate purposes. While further funding will be required as the Ain Tsila development progresses, the Bond Issue will, assuming it is completed in accordance with its terms, represent the first step in diversifying the Group's funding base as part of its long term financing plan for Ain Tsila.

28. Approval of financial statements

The Directors approved these financial statements on 29 June 2015.