International Oil and Gas Technology

CONDENSED INTERIM REPORT AND ACCOUNTS

for the six months to 30 June 2014

International Oil and Gas Technology Limited

Condensed interim report and accounts
for the six months to 30 June 2014

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THE COMPANY

INVESTMENT OBJECTIVE

International Oil and Gas Technology Limited ("the Company" or "IOGT") aims primarily to generate long-term capital growth by investing expansion capital in companies that provide technologies, services and/or processes to the upstream oil and gas industry.

INVESTMENT POLICIES

Expansion capital

To achieve its investment objective, the Company invests expansion capital in companies that have proprietary and proven technology, services and/or processes that can be deployed more rapidly or on a larger scale.

IOGT believes that such companies will typically have recurring annual revenues of between US$5 million and US$25 million, positive EBITDA and/or significant working capital, and strong management teams. The presence of an existing customer base and revenues helps to establish the commercial, as distinct from simply experimental, premise for the technology, service and/or process, which should be capable of having a significant impact within the energy sector.

ORIGINAL STRATEGY

Sector strategy

The Company has identified a need for enhanced services and differential technological solutions to react to challenges in the oil and gas industry. Of these, the principal challenge is to increase recovery ratios from known and mature fields. In addition, the industry has to confront the pressing requirement to develop new exploration technologies, identify new oil and natural gas fields globally and exploit unconventional oil and natural gas resources. In addition, the industry needs to improve the environmental footprint of its activities and products.

Sector knowledge and contacts

The principals of the Investment Manager ("Linton" or "Linton Capital LLP") have an extensive network from which to source investment opportunities and they apply a proactive approach to strategic selection and subsequent due diligence. This helps the Company identify those that are attractive and enhance their strategic, operational and technical capabilities across their market.

Joint ventures

The Investment Manager seeks to create local joint ventures or partnerships in regions such as the Middle East that enable Investee Companies to accelerate the growth of their market share across the sector and on a global basis.

REVISED STRATEGY

The Board has taken the decision to initiate the process of achieving orderly exits from all three remaining portfolio investments.

CHAIRMAN'S LETTER

Dear shareholders

Since I wrote to you at the end of April, the Company has continued to execute on the plan set out in the circular issued at the time of the fundraising last October. I report on progress below.

The most significant development of the past four months has been the verdict of the High Court to dismiss the claim against the Company brought by a former joint-investment manager. Although the claim, which in 2012 exceeded US$18.3 million, was reduced to approximately US$5.1 million on the opening day of the trial, the long-lasting litigation has prevented the Company from raising any material amounts of new capital, either at investee or at Company level, and has involved significant expenditure in defending the claim. The Company is now seeking to recover a material proportion of these costs. An interim payment on account to the Company of £0.5 million (approximately US$0.8 million) has been agreed and we will now apply for a detailed costs assessment through the court in order to determine the quantum of the final costs award in the Company's favour.

As I mention above, the disruption caused to the Company by this litigation has been similarly damaging to the portfolio companies. Companies of their size need investment capital in order to grow and the Company has found it impossible to raise any material amounts of capital since the litigation was launched in January 2012.

Crest Energy Services ("Crest") has continued to report modest but profitable trading and has a good pipeline of potential work for its limited asset base. We are currently in discussions with a potential purchaser of the business that may lead to an offer. Crest requires further capital in order to prosper and we are also investigating a number of alternative routes and sources.

SR2020 has continued to suffer from a lack of further capital to support its market-leading processing and interpretation services. We are currently in discussions with companies interested in integrating the team into a broader down-hole business.

Strata Energy Services ("Strata") has continued to exceed budget in FY/14. The spring thaw period in Canada had less effect on Strata's results, primarily because of its increased proportion of business in the US. The increased element of pad drilling was a contributory factor to the maintenance of Canadian revenues. There have inevitably been problems with the business in Kurdistan, where conditions have been challenging and could be subject to further disruption. We are watching developments carefully. We have left the valuation of our minority stake in Strata at the same level as at December, although the valuation metrics alone would have justified a small increase.

The net asset value per Preferred Share reduced in the six-month period from US$4.10 to US$3.70, primarily a result of the need to provide for legal fees to defend the litigation. We have been conservative in making no allowance for the recovery of costs from our successful defence of this action.

As I stated in my letter in April, the Board, working closely with the Investment Manager, will continue to strive to maximise shareholder value.

Christopher Hill
Chairman
International Oil and Gas Technology Limited

Guernsey, Channel Islands

28 August 2014

BOARD OF DIRECTORS

Christopher Hill *(non-executive chairman)*

Christopher Hill is an Associate of the Chartered Institute of Bankers and was managing director of Guernsey International Fund Managers Ltd ("GIFM"), part of the Barings Financial Services Group, from 1996 until the group was sold to Northern Trust in 2005. During this period, Christopher was also a director of GIFM's subsidiaries in Dublin and Jersey. In his 16 years with GIFM, the company administered funds with a wide range of investment strategies. In total, Christopher has over 40 years' experience in the field of offshore banking and fund administration.

He is currently non-executive chairman of UK Commercial Property Trust Limited (a company listed in London) and a number of other investment funds and financial institutions. Christopher, a resident of Guernsey, is a former chairman of the Guernsey Investment Funds Association.

Christopher was appointed as director on 27 June 2008.

John Imle *(non-executive director)*

John Imle has over 45 years of operating, management, executive and board experience in the global energy industry, with particular emphasis on oil, gas and geothermal exploration, development and midstream projects throughout the world.

Most of John's professional career was spent at Unocal Corporation, a California-based major oil and gas company known globally for innovation and excellence in exploration and production ("E&P"), pipeline and geothermal operations. He became responsible for all international E&P activity and then rose to the posts of executive vice-president for global energy resources, corporate president, and finally became vice-chairman of the board, on which he served as a director for over ten years.

Since retiring from Unocal in 2000, John has engaged in a number of board, executive (CEO) and consulting roles for small public and private companies, involving turnarounds, capital formation, asset divestment and public offering initiatives. Since 2000, he has lived in Sydney, Houston, London, California and New York.

A graduate of Texas A&M University, John earned degrees in petroleum and mechanical engineering and acquired continuing education at Kellogg School of Management. He is a Registered Petroleum Engineer in California and currently lives in New York City.

John was appointed as director on 8 December 2010.

Jeremy Thompson *(non-executive director)*

Jeremy Thompson is a Guernsey resident with sector experience in finance, telecoms, aerospace and defence, and oil and gas. Since 2009, Jeremy has been a consultant to a number of businesses and holds non-executive directorships of investment vehicles, including those relating to the BT pension scheme. Between 2005 and 2009, he was a director of multiple businesses in the Novator private equity group. Prior to that, he was chief executive of four autonomous businesses at Cable & Wireless, and earlier held managing director roles within the Dowty Group. Additionally, Jeremy has worldwide experience in the oilfield services sector gained at what is now National Oilwell Varco.

Jeremy sits on the Guernsey GP boards of certain Energy Ventures funds and on the Guernsey board of the SFM-listed aircraft leasing company, DP Aircraft 1 Limited

Jeremy chairs the States of Guernsey Renewable Energy Team and is a commissioner at the Alderney Gambling Control Commission. He is a graduate of Brunel and Cranfield Universities.

Jeremy was appointed as director on 21 October 2010.

MANAGER'S INTERIM REPORT

LINTON CAPITAL

INTRODUCTION

The performance of each portfolio company during the past two years has been seriously damaged by the effects of the litigation pursued by a former joint-investment manager to the Company. Although the board consistently and correctly predicted that the Company would succeed in defending this claim, it was not possible during this period to raise further significant capital to support the portfolio companies and replenish the Company's cash reserves. This necessitated the cessation of meaningful growth-capital investments and overall support to the portfolio companies.

Having reluctantly accepted that an exit from each of these high-potential companies needs to be accomplished without first completing the growth plans that we had envisaged, we have made some progress on executing this strategy. The Company will report specific further details at the appropriate time.

CURRENT INVESTMENTS

Strata

Strata has continued to exceed its budget for sales and EBITDA during the first seven months of its financial year. Full-year revenue is forecast at over C$31 million, a considerable improvement on C$23.7 million in FY/13, while EBITDA for the same period is forecast to exceed C$5.0 million (FY/13: C$1.4 million).

Revenues in the US continue to match those in Canada, while performance in Kurdistan has stood up well in spite of the problems in the region. Demand for managed-pressure drilling (MPD) services continues to grow, particularly in the US where Strata's market share remains small. The market share is felt to be greatly expandable as Strata continues to perform well for customers of advanced drilling techniques.

Strata continues to work with a major customer on finalisation of a contract in order to complete and implement the offshore solution. Following negotiations with the company's main lenders, PNC and BDC, the credit lines were renewed and the company is now trading within its covenants. If trading performance continues to exceed budget, we would expect that Strata will be in a position to bring its interest payments to IOGT up to date.

Crest

Crest has continued to achieve revenue levels consistent with FY/13 and has again managed its limited asset base to maximum effect. Revenues have been lower over the summer months, as is natural with a limited asset base once a large contract ends, but there are a number of significant and profitable contracts on the near-term horizon.

As the chairman states in his letter, the Company is in discussions with both potential acquirers and capital providers. While essentially cash-flow neutral with its current assets base, Crest requires further equipment in order properly to develop and capitalise on the hard work in successfully establishing operations in Saudi Arabia and originating considerable business opportunities elsewhere in Gulf region. Developments will be reported at the appropriate time.

SR2020

The Investment Manager and SR2020 have continued actively to seek external funding or an outright sale to an organisation that has the capital resources to leverage the company's first-class technical services. While a number of companies have recognised the intrinsic value of the business, its technology and its people, no transaction has yet been consummated.

Operationally, SR2020 has made some progress during the first half of the year, particularly considering the limited capital provided to it to support its development activities. The Company provided follow-on capital of US$0.3 million to SR2020 during the period as SR2020 does not yet have the volume of contracted work to generate sufficient cash flow to survive as an independent business. We are pursuing a number of routes to address this issue.

MANAGER'S INTERIM REPORT CONTINUED

CONCLUSION

The conclusion to our report in April remains unchanged. The portfolio has suffered for the lack of availability of growth capital from the Company. Strata's recovery this year makes it an even more valuable constituent of IOGT, while Crest and SR2020 both require growth capital resources beyond the Company's capacity. We will continue to execute the plan to exit these investments in an orderly manner and at the right time for each investment, as outlined at the time of the capital raise in October 2013, in such a way as to maximize shareholder returns.

Linton Capital LLP
28 August 2014

INVESTMENT MANAGER

LINTON CAPITAL LLP

Linton Capital LLP, which was founded in 2005, is the sole investment manager for the Company.

Linton is an English limited liability partnership authorised and regulated by the Financial Conduct Authority. David Sefton and Michael Goffin, who are ultimate owners of Linton, are highly experienced professionals in private equity and the oil and gas sector.

Website: www.linton-capital.com

PRINCIPALS

David Sefton *(partner)*

David, the founder of Linton, has been involved in private equity investment in the oil and gas industry since 2004. He has extensive experience of making and managing investments and achieving exits. David has been a specialist in the oil and gas industry across Europe, Russia, the Middle East and North America. He has worked with many of the world's leading international and national oil companies.

In 2002, David joined LukOil Financial Services, which provided M&A and transactional services to the OAO LukOil group, as its chief legal officer. He began his career at Cleary, Gottlieb, Steen & Hamilton, where he was a senior associate based in the London and New York offices.

David completed undergraduate and postgraduate studies at the University of Oxford and qualified as a barrister with a practice in company, insolvency and construction work.

Michael Goffin, CGA *(partner)*

Michael has over 18 years of experience in investment management, accounting and corporate finance. He has worked with David Sefton since 2004.

Prior to joining Linton in 2010, he was a partner with a Canada-based private equity firm for 13 years and held financial positions in the services industry and manufacturing sector.

Michael has extensive experience across all aspects of fund management and oversight of portfolio investments. He has served on the boards of numerous funds as well as private and publicly listed companies.

Michael graduated from the University of Toronto in 1994 with a degree in economics and environmental management. He holds a certified general accountant professional designation.

OTHERS

Roland Wessel *(adviser)*

Roland has over 35 years of experience in the oil and gas industry. He was initially involved in the drilling services sector and undertook managerial roles in most of the active oil and gas regions of the world, including West Africa, the Middle East, the North Sea, and North and South America.

Leaving his position as Eastern Hemisphere Manager at Teleco Oilfield Services, Roland founded Integrated Drilling Services (IDS) in 1992 with backing from 3i Group plc. Roland sold IDS in 1998 before founding Star Energy, a leading onshore UK producer and developer of oil and gas and an operator of gas-storage facilities. After listing on the London Stock Exchange in 2004, Star Energy was bought by Petronas in 2008. In July 2014, Roland was appointed executive vice-president of APS Technology Inc., a US manufacturer of oilfield-drilling equipment.

Roland held a number of non-executive positions in the oil and gas sector, including at Dominion Petroleum, an AIM-listed, independent oil and gas exploration company operating in Africa. He is a geology graduate from University College London.

INVESTMENT MANAGER CONTINUED

James Cane **FCA** *(chief financial officer)*

James Cane, who joined Linton Capital in 2011, has been a chief executive and finance director in both listed and private equity-backed businesses. He was a non-executive director of the Lambeth Building Society until its sale to the Nationwide in 2006. James, a fellow of the Institute of Chartered Accountants, has operated a consultancy business for over thirty years.

James was the chief financial officer of 8 Miles LLP, a private equity firm managing a fund to invest in buyouts across Africa. He has advised a number of national and international private-equity firms on strategy, fundraising, marketing and business development.

James has been a trustee of the UK's longest-established drama school, LAMDA (the London Academy of Music and Dramatic Art) since 2008 and chairs its finance committee. He is an affiliate governor of the Conservatoire for Dance and Drama and sits on its finance committee. James is a member of the finance committee of The Queen's Club, the UK's premier racquet sports club.

Nick Butler *(adviser)*

Nick Butler graduated in economics from Cambridge University before joining BP, the British oil firm, in 1977, ultimately becoming group vice-president for strategy and policy development.

Nick is a Visiting Professor and Chair of the King's Policy Institute at King's College, London. He is also energy policy adviser at the Cavendish Laboratory in Cambridge and a senior adviser to Coller Capital and Corporate Value Associates. From 2007 to 2009, he was chairman of the Cambridge Centre for Energy Studies. He was a special adviser to Gordon Brown, then British Prime Minister, from 2009 to 2010.

He is a non-executive director of Cambridge Econometrics and of Compact GTL and a trustee of Asia House.

Debra Feldman *(practice manager)*

Debra manages Linton's administration and finance functions. She joined from the American law firm Cleary Gottlieb Steen & Hamilton, where she spent ten years after previously working at County NatWest and the Port of London Authority.

PORTFOLIO COMPANIES

STRATA ENERGY SERVICES

Strata is one of the world's leading providers of underbalanced drilling (UBD) and managed-pressure drilling (MPD) services.

Strata has patented Rotating Flow Diverters (RFDs) that form an integral part of its UBD and MPD services. The company is developing a range of RFDs for deployment offshore, where the use of MPD as a way to drill wells more safely and efficiently is rapidly gaining acceptance.

With many of the world's major oil and gas operators as customers, Strata is expanding its international operations, both onshore and offshore.

Strata's headquarters are in Red Deer, Canada and the company has operational bases in the US, Canada and the Middle East.

CREST ENERGY SERVICES

Crest provides specialist nitrogen purging services using in-situ membrane nitrogen-generation units. Crest is currently carrying out major pipeline-purging and power-station infrastructure-maintenance projects in Saudi Arabia.

Crest has been providing commercial services for over two years and has already established a reputation for service quality and operational reliability with the largest operator in the Middle East, Saudi Aramco. The company's nitrogen-purging services have demonstrated significant advantages in cost and reliability over traditional cryogenic nitrogen supplies.

Crest has its headquarters in Dubai and has an operational base in al-Khobar, Saudi Arabia.

SR2020

SR2020 is an innovative provider of borehole seismic acquisition and processing services. It provides customers with high-resolution three-dimensional vertical seismic profiling (3D VSP) surveys using a proprietary tubing-conveyed borehole-array system. The company also provides micro-seismic services for monitoring hydraulic fracturing in shale gas and shale oil reservoirs. SR2020 is recognised as one of the world leaders in the field of borehole-seismic and conventional-seismic data processing and interpretation.

The headquarters of SR2020 are in Brea, California.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors confirm that, to the best of their knowledge, these unaudited condensed interim financial statements for the period have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit of the Company as required by Disclosure and Transparency Rule DTR 4.2.4.

The Report includes a fair value review of the information required by:

a) **DTR 4.2.7R** of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) **DTR 4.2.8R** of the Disclosure and Transparency Rules, being related-party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the Company during that period and any changes in the related-party transactions described in the last Annual Report that could do so.

BY ORDER OF THE BOARD

Christopher Hill
Chairman

28 August 2014

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the six months to 30 June 2014

	Note	**30 June 2014 US$**	30 June 2013 US$
OPERATING INCOME			
Interest income	6	**40,094**	59,614
Net realised gains on financial assets at fair value through profit or loss		–	65,400
Net unrealised losses on financial assets at fair value through profit or loss		**(300,000)**	(9,256,897)
Net foreign currency (losses)/gains		**(61,405)**	2,519
Total operating loss		**(321,311)**	(9,129,364)
Administrative expenses	7	**(2,855,899)**	(754,161)
Operating loss		**(3,177,210)**	(9,883,525)
Loss for the period		**(3,177,210)**	(9,883,525)
Average number of preferred shares		**7,999,595**	7,292,367
Basic loss per preferred share	10	**(0.40)**	(1.36)
Average number of preferred shares (diluted)		**7,999,595**	7,292,367
Diluted loss per preferred share	10	**(0.40)**	(1.36)

The accompanying notes are integral to these condensed financial statements.

CONDENSED BALANCE SHEET

at 30 June 2014

	Note	**30 June 2014 US$**	31 December 2013 US$
CURRENT ASSETS			
Cash and cash equivalents		**873,744**	2,081,379
Receivables	11	**372,931**	427,590
Loan	12	**75,000**	130,570
Financial assets at fair value through profit or loss	2,13	**31,127,950**	31,127,950
Total assets		**32,449,625**	33,767,489
LIABILITIES			
Payables	14	**2,865,318**	1,005,972
Total liabilities		**2,865,318**	1,005,972
Net assets		**29,584,307**	32,761,517
SHAREHOLDERS' EQUITY			
Common (founder) shares	15	**2**	2
Participating redeemable preferred shares	15	**7,999,595**	7,999,595
Contributed surplus	2	**63,678,704**	63,678,704
Retained earnings		**(42,093,994)**	(38,916,784)
Total equity		**29,584,307**	32,761,517
Net asset value per share		**3.70**	4.10

The accompanying notes are integral to these condensed financial statements.

Approved by the Board of Directors and signed on its behalf by:

Christopher Hill
Chairman

28 August 2014

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the six months to 30 June 2014

	Share capital US$	Contributed surplus US$	Retained earnings US$	**Total US$**
At 1 January 2014	**7,999,597**	**63,678,704**	**(38,916,784)**	**32,761,517**
Loss for the period	–	–	(3,177,210)	(3,177,210)
At 30 June 2014	**7,999,597**	**63,678,704**	**(42,093,994)**	**29,584,307**
At 1 January 2013	7,292,369	62,571,971	(1,785,415)	68,078,925
Loss for the period	–	–	(9,883,525)	(9,883,525)
At 30 June 2013	7,292,369	62,571,971	(11,668,940)	58,195,400

The accompanying notes are integral to these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOWS

for the six months to 30 June 2014

	Note	**30 June 2014 US$**	30 June 2013 US$
Cash flows from operating activities			
Loss for the period		**(3,177,210)**	(9,883,525)
Adjustments for			
Net realised gains on financial assets at fair value through profit or loss		**–**	(65,400)
Net unrealised losses on financial assets at fair value through profit or loss		**300,000**	9,256,897
Decrease/(increase) in accounts receivable and prepaid expenses		**54,659**	(36,057)
Increase/(decrease) in accounts payable and accrued expenses	11,14	**1,859,346**	(834,676)
Net cash flows used in operating activities		**(963,205)**	(1,562,761)
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss	13	**(300,000)**	(1,200,000)
Disposals of financial assets at fair value through profit or loss		**–**	599,696
Advance of loan		**(75,000)**	–
Repayment of loans		**130,570**	74,315
Net cash flows used in investing activities		**(244,430)**	(525,989)
Net decrease in cash during the period		**(1,207,635)**	(2,088,750)
Cash, beginning of period		**2,081,379**	5,055,889
Cash, end of period		**873,744**	2,967,139

The accompanying notes are integral to these condensed financial statements.

CONDENSED STATEMENT OF INVESTMENT PORTFOLIO

at 30 June 2014

Company/type of security	Par value/ number of securities US$/No.	30 June 2014 Cost US$	30 June 2014 Estimated fair value US$	31 December 2013 Cost US$	31 December 2013 Estimated fair value US$
INVESTMENT PORTFOLIO					
Crest Energy Services Limited					
Convertible secured debentures	6,996,499	**7,399,683**		7,399,683	
Promissory notes	3,089,858	**3,151,858**	**2,000,000**	3,151,858	2,000,000
SR2020 Inc					
Common stock	7,000,000	**1**		1	
Convertible and non-convertible secured debentures	5,161,821	**5,161,821**		5,161,821	
Promissory notes	9,293,368	**9,317,224**		9,017,224	
1474559 Alberta Ltd (1)					
Secured promissory note	2,751,074	**2,751,074**	**1,000,000**	2,751,074	1,000,000
Strata Energy Services Inc					
Common shares	840,890	**22,879,668**	**26,127,950**	22,879,668	26,127,950
Secured promissory notes	2,000,000	**2,000,000**	**2,000,000**	2,000,000	2,000,000
Total		**52,661,329**	**31,127,950**	52,361,329	31,127,950

1. The investment in SR2020 is held both directly and through 1474559 Alberta Ltd, a wholly owned subsidiary of the Company.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 June 2014

1. GENERAL INFORMATION

This condensed interim financial information was approved for issue on 28 August 2014. This condensed interim financial information does not constitute statutory accounts under Guernsey Company Law and has not been audited.

Business registration

International Oil and Gas Technology Limited (the "Company" or "IOGT") is a closed-ended investment company incorporated and registered in Guernsey on 20 November 2007. The Company's participating redeemable preference shares are listed on the London Stock Exchange as a standard listing.

The currency used in the condensed financial statements is the United States dollar, which is the currency of the primary economic environment in which the Company operates.

Authorisation

The Company is designated as authorised pursuant to The Authorised Closed-Ended Investment Scheme Rules 2008.

Objective

The primary investment objective of the Company is to generate long-term capital growth by investing expansion capital in companies that provide services and technology to the upstream oil and gas industry.

Litigation costs

The claim against the Company formally initiated by a former joint investment manager on 17 January 2012 seeking damages for wrongful termination of the original investment management agreement was dismissed in a judgment in the Commercial Division of the High Court of Justice in London on 22 May 2014. This confirmed our long-held view, repeated consistently in reports and announcements since 12 September 2011, that the claim had no merit.

The claim, when commenced at the beginning of 2012 following receipt of a letter before action in September 2011, sought damages of approximately US$15.8 million. Shortly after this, the litigant increased the claim to in excess of US$18.3 million. In October 2013, the Company announced in a statement that the litigant had reduced its claim by approximately US$9.2 million. On the opening day of the trial, the litigant further reduced the claim to approximately US$5.1 million. The robust judgment vindicated our view that the amount of damages claimed, even at this much reduced level, was 'inflated, speculative and far-fetched' and that QOGT was wrong to pursue this claim.

Unfortunately, despite the determined efforts of the board and the Investment Manager, this litigation has had a significant deleterious effect on the Company, and thus its portfolio companies, over the past two and a half years. Funding the defence of the claim has reduced the capital that had been available to grow the portfolio companies as previously planned. Furthermore, the existence of the litigation has prevented the Company from raising significant new capital, whether by share issuance or through structured transactions with other equity providers.

As reported in May, the counterclaim, which the Company pursued against QOGT as a purely defensive measure, was dismissed. QOGT has been ordered to pay the Company's costs in defending the claim and conversely the Company will pay QOGT's costs of defending the counterclaim. Costs common to the claim and counterclaim are to be paid by QOGT.

Notwithstanding the rules of the High Court of England and Wales on the recoverability of costs of litigation, parties generally incur around 25 per cent costs that are not recoverable even on a successful outcome. Legal costs incurred to date have been expensed. No asset has been recognised for any future recoveries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and using the accounting policies described below. These are the first interim financial statements reported under IFRS and are for the six-month period ended 30 June 2014, with comparatives for the six-month period ended 30 June 2013 and as at 31 December 2013. IFRS 1 – First-time Adoption of IFRS ("IFRS 1") and IAS 34 – Interim Financial Reporting ("IAS 34") have been applied. The transition from previous Canadian Generally Accepted Accounting Principles to IFRS as at 1 January 2013 ("Transition date") has not affected the reported financial position, financial performance and cash flows of the Company or the accounting policies presented in the audited annual financial statements, and, therefore, no reconciliations have been included in these financial statements.

Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

In connection with the commencement of the exit strategy during the third quarter of 2013, these financial statements have been prepared on a basis other than that of a going concern, which includes, where appropriate, writing down the Company's assets to net realisable value. This basis is considered appropriate as, among other things, liquidation of the Company is probable. Under this basis of accounting, an accrual has been made for the costs to be incurred during liquidation to arrive at the net realisable value of the Company's assets and liabilities. Given the current cash resources available to the Company and the level of running costs, the ability to complete an orderly wind-down strategy is dependent on the receipt of capital from exits of investments or from other sources and/or reimbursement of costs following the successful conclusion to the litigation.

Consolidated financial statements have not been prepared as the entity fulfils the requirements of an investment entity under IFRS 10. Under IFRS 10, an investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Significant estimates and judgments in these financial statements are required principally in determining the reported estimated fair value of investments and estimated costs anticipated to wind down the Company. Actual results could differ significantly from these estimates.

Foreign currency

Functional and presentational currency

Items included in the financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements of the Company are presented in United States dollars ("US$"), which is the Company's functional and presentational currency.

Foreign currency translation

Foreign currency transactions are translated into US dollars using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into US dollars using the exchange rate prevailing at the period-end date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Revenue recognition

Dividend income is recognised when the Company's right to receive the payment has been established, normally being the ex-dividend date. Dividend income is recognised gross of withholding tax, if any.

Interest on debt securities at fair value through profit or loss is accrued on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value on initial recognition. Interest is recognised gross of any withholding tax, if any.

Interest income received in advance is recorded as deferred interest income and is included on the balance sheet as a liability. Where interest receivable is capitalised, it is added to the relevant investment's cost of investment and is not shown as interest receivable in debtors.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial assets at fair value through profit or loss

Classification

The Company classifies its investments in portfolio companies as financial assets at fair value through profit or loss. The financial assets were designated by the Directors at fair value through profit or loss on the transition date to IFRS.

Financial assets designated at fair value through profit or loss are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy requires the Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Recognition

Investments in the portfolio companies are recognised when the Company becomes party to the contractual provisions of the instrument. Recognition takes place on the trade date.

Measurement

At initial recognition, financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise. Dividend or interest earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line in the statement of comprehensive income.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities at fair value through profit or loss are derecognised when the obligation in the contact is discharged, cancelled or expired.

Realised gains and realised losses on derecognition are calculated on an average-cost basis and are included in the statement of comprehensive income.

Generally, a combination of two methods, including a market multiple approach that considers one or more financial measures, such as revenues, EBITDA, adjusted EBITDA, EBIT, net income, net asset value, discounted cash flow or liquidation analysis, are used to determine the estimated value of an investment.

Consideration may also be given to such factors as:

- The company's historical and projected financial data
- Valuations given to comparable companies
- The size and scope of the company's operations
- Expectations relating to the market's receptivity to an offering of the Company's securities
- Any control associated with interests in the company that are held by the Company
- Information with respect to transactions or offers for the Company's securities (including the transaction pursuant to which the investment was made and the period of time that has elapsed from the date of the investment to the valuation date)
- Applicable restrictions on transfer
- Industry information and assumptions
- General economic and market conditions
- Other factors deemed relevant.

Having regard to the expected future life of the Company, the fair value estimation methodology includes an assessment of the disposal prospects of the investments during the wind-down process. Due to the inherent uncertainty of the valuation process, the fair values may be significantly different to the actual amounts received on disposal. Further information regarding the Company's investments can be found in note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Offsetting

The Company offsets financial assets and liabilities at fair value through profit or loss if the Company has a legally enforceable right to offset recognised amounts and either intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Expenses

All expenses are recognised in the statement of comprehensive income on the accruals basis.

Accrued liquidation costs

The Company is required to make significant estimates and exercise judgment in determining liquidation costs. Liquidation costs, including professional and other realisation costs that are incremental and directly related to the execution of the exit strategy, have been estimated and accrued in these financial statements. The Company has not accrued the ongoing operating costs that are anticipated to be incurred through the liquidation period such as administration, management, registrar, custodian and other general costs.

Taxation

The Company is domiciled in Guernsey, Channel Islands. Under the current laws of Guernsey, there are no income, estate, corporation, capital gains or other taxes payable by the Company. The Company does not currently incur any withholding tax in respect of its income received.

Investment management performance fee ("Performance Fee")

Incentive fees are accrued where the valuation of a portfolio asset is such that, upon a realisation at that value, a fee would become payable under the terms of the investment management agreement. No Performance Fee has been accrued in the condensed financial statements. A proportion of any Performance Fee due may be held in escrow pending future realisations.

Impact of standards issued but not yet applied

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and may affect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2018 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The Company is yet to assess IFRS 9's full impact. However, initial indications are that it should not materially affect the Company's accounting for its financial instruments.

3. MATERIAL AGREEMENTS

The investment management agreement entered into between the Company and the Investment Manager was described on page 34 of the 2013 Annual Report and Accounts.

4. RELATED-PARTY TRANSACTIONS

The Investment Manager and the directors are regarded as related parties. The Investment Manager has undertaken that no co-investments will be made in any other funds that may at any time be managed by the Investment Manager or any entity controlled by the principals of the Investment Manager.

Details of investment management fees are included in administrative expenses and detailed in note 7.

Directors' fees and expenses are included in administrative expenses and detailed in note 7.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS CONTINUED

5. SEGMENTAL INFORMATION

The directors are of the opinion that the Company is engaged in a single segment of business, being an investment company investing capital in companies that provide services and technology to the upstream oil and gas industry, and therefore no segmental reporting is required.

6. INTEREST INCOME

	30 June 2014 US$	30 June 2013 US$
Interest income on financial assets at fair value through profit or loss	**40,000**	40,000
Interest income on loan (note 12)	**–**	19,317
Bank interest	**94**	297
	40,094	59,614

7. ADMINISTRATIVE EXPENSES

	30 June 2014 US$	30 June 2013 US$
Administration fees	**98,366**	86,931
Audit fees	**47,254**	64,243
Directors' fees and expenses	**85,049**	104,942
Insurance costs	**7,375**	7,375
Investor communications costs	**20,793**	12,519
Investment management fees	**660,000**	660,000
Investment management performance fees	**–**	(841,550)
Legal and professional fees	**1,861,465**	586,298
Listing and licence fees	**9,692**	9,883
Other expenses	**5,487**	6,176
Registrar and custodian fees	**12,141**	20,853
Stockbroker's fees	**28,103**	25,152
Travel and entertainment costs	**20,174**	11,339
	2,855,899	754,161

8. TAX

The Company has been granted exemption from income tax in Guernsey under the Income Tax (Exempt Bodies) (Bailiwick of Guernsey) Ordinance, 1989 for which it pays an annual fee of £600 (2013: £600). With this exemption, the Company will not be liable to income tax in Guernsey other than on Guernsey source income (excluding deposit interest on funds deposited with a Guernsey bank). No withholding tax is applicable to distributions by the Company to shareholders.

9. DIVIDEND

No dividend was paid during the period (30 June 2013: US$Nil).

10. BASIC AND DILUTED LOSS PER SHARE

Loss per share is computed by dividing net loss available to preferred shareholders by the weighted average number of preferred shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if additional preferred shares are issued under warrants and stock options that entitle their holders to obtain common shares in the future, to the extent that such entitlement is not subject to unresolved contingencies. The number of additional shares for inclusion in diluted loss per share calculations is determined using the treasury-stock method. Under this method, warrants and stock options whose exercise price is less than the average market price of the preferred shares are assumed to be exercised, with the proceeds used to repurchase preferred shares at the average market price for the period. The incremental number of preferred shares issued under warrants and stock options and repurchased from proceeds is included in the calculation of diluted loss per share.

10. BASIC AND DILUTED LOSS PER SHARE CONTINUED

For each of the periods ended 30 June 2014 and 30 June 2013, the Company excluded potential share equivalents comprised of stock options and warrants for the diluted loss per share as these would be considered anti-dilutive.

	30 June 2014 US$	30 June 2013 US$
Basic loss per share		
Loss for the period	**(3,177,210)**	(9,883,525)
Average number of preferred shares	**7,999,595**	7,292,367
Basic loss per share	**(0.40)**	(1.36)
Diluted loss per share		
Loss for the period	**(3,177,210)**	(9,883,525)
Average number of preferred shares (diluted)	**7,999,595**	7,292,367
Diluted loss per share	**(0.40)**	(1.36)

11. RECEIVABLES

	30 June 2014 US$	31 December 2013 US$
Prepaid expenses	**12,206**	25,536
Interest receivable on financial assets at fair value through profit or loss	**232,493**	192,493
Interest receivable on loan (note 12)	**–**	2,542
Other receivables	**128,232**	207,019
	372,931	427,590

The other receivables represent security payments made to the court in connection with the costs of litigation (note 1).

12. LOAN

	30 June 2014 US$	31 December 2013 US$
Equipment finance loan to SR2020 Inc	**–**	15,570
Short-term loan to SR2020 Inc	**–**	115,000
Short-term loan to Crest Energy Services Limited	**75,000**	–
	75,000	130,570

In accordance with an agreement dated 1 December 2012, the equipment finance loan to SR2020 Inc ("SR2020") attracted interest at seven per cent and was repayable in 36 equal monthly instalments commencing on 1 February 2013. US$150,824 was repaid during the year ended 31 December 2013. At a board meeting on 4 April 2014, the Directors concluded that the equipment loan to SR2020 may not be repaid and should be provided against at 31 December 2013. The balance outstanding of US$15,570 at 31 December 2013 represented an amount repaid in January 2014 and was net of a provision of US$420,206.

The short-term loan to SR2020 was interest free and repaid on 15 January 2014.

The short-term loan to Crest Energy Services Limited ("Crest") is interest free and repayable on demand.

Loans are included at carrying value.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS CONTINUED

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets, investments in the portfolio companies, are categorised as designated at fair value through profit or loss.

1) Strata Energy Services Inc ("Strata")

The Company made no further investment in Strata during the period.

The Company investment in Strata was restructured on 3 August 2011:

- The Company converted both its US$20 million convertible secured debentures in Strata and US$2.85 million of its US$4.85 million secured promissory note to the company into common stock of Strata. When fully diluted by Strata's employee share-option programme, the Company holds 43 per cent of the common shares of Strata.
- The remaining part of the secure promissory note (US$2 million) was converted into a one-year promissory note carrying interest at four per cent per annum. The term has been extended beyond 30 June 2014.

The Strata investment was valued using both a blend of comparable-company multiples approach and the discounted cash flow basis of valuation, using historical and projected earnings and revenue figures. Prior to 31 December 2013, the level of debt was not deducted from the enterprise value of the company because the value of its fixed assets exceeded their net book value and the difference was greater than the level of debt. For the period-end valuation at 30 June 2014, IOGT has valued its equity share by deducting net debt at 30 June 2014 from the computed enterprise value.

2) Crest

The convertible secured debenture in the principal amount of US$6,996,499 was due to mature on 17 December 2013 and bears an annual interest rate of 8.5 per cent. The debenture is convertible at the Company's option at any time into common shares of Crest at a conversion price of US$1.00 per share.

During the period, no promissory notes were issued leaving the total promissory notes outstanding at 30 June 2014 to US$3,089,858. The promissory notes issued in years prior to 2012 bear an annual interest rate of 8.5 per cent and are notionally repayable on dates during 2013. The promissory notes issued during 2013 are interest free and repayable on demand.

The investment includes US$403,183 in respect of interest capitalised in 2011 and capitalised legal costs of US$62,000 in 2013.

The investment in Crest has been valued at US$2 million, which is the Company's best estimate of Crest's value in an accelerated sales process. This valuation takes into account the company's projected and historical earnings at 30 June 2014.

3) SR2020

The convertible secured debenture in the principal amount of US$900,000 was due to mature on 29 May 2013 and bears an annual interest rate of 8.5 per cent. It is convertible at the Company's option. During the period, SR2020 issued promissory notes totalling US$300,000. Following a reorganisation of interests between SR2020, the Company and the related company 1479559 Alberta Limited, promissory notes outstanding to the Company at 30 June 2014 totalled US$9,293,368. They are due on demand. The Company directly owns 100 per cent of the common shares of SR2020 subject to a possible allocation of up to 30 per cent for an employee share-ownership plan ("ESOP").

The SR2020 investment was valued at US$1 million, which is the Company's best estimate of SR2020's value in an accelerated sales process.

Fair value of investments

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value and are classified in one of the following categories:

Level 1 Unadjusted quoted prices in an active market for identical assets or liabilities provide the most reliable evidence of fair value. This is used to measure fair value whenever available.

Level 2 Inputs other than unadjusted quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 Inputs that are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

All of the investments of the Company are classified as Level 3.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

During the period ending 30 June 2014, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	30 June 2014 US$	31 December 2013 US$
Fair level disclosure by fair value hierarchy level	**Level 3**	
Investments	**31,127,950**	31,127,950

	30 June 2014 US$	31 December 2013 US$
Reconciliation of Level 3 fair values	**Trading securities**	
Opening balance	**31,127,950**	62,955,458
Additions	**300,000**	2,562,000
Net unrealised losses on financial assets at fair value through profit or loss	**(300,000)**	(34,389,508)
Closing balance	**31,127,950**	31,127,950

A key valuation assumption is the EV/EBITDA multiple used. A change in the EV/EBITDA multiple of plus or minus 1.0 would result in an aggregate change in the unrealised gains in investments of approximately +/-US$1.75 million (31 December 2013: US$0.6 million), deriving from the change in the valuation of Strata.

14. PAYABLES

	30 June 2014 US$	31 December 2013 US$
Accounts payable and accrued expenses	**2,839,672**	981,130
Accrued liquidation costs	**25,646**	24,842
	2,865,318	1,005,972

The Company is required to make significant estimates and exercise judgment in determining accrued liquidation costs. The Company has estimated the professional fees and realisation costs that would be directly incurred as a result of liquidation. The Company has not accrued operating costs that it expects will be incurred through the liquidation period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS CONTINUED

15. SHAREHOLDERS' EQUITY

	30 June 2014 Number	31 December 2013 Number
Authorised		
Common (founder) shares	**20,000**	20,000
Unclassified shares	**50,000,000**	50,000,000
Issued		
Common (founder) shares of US$1.00	**2**	2
Participating redeemable preference shares	**7,999,595**	7,999,595

	Nominal value US$	Nominal value US$
Authorised		
Common (founder) shares	**20,000**	20,000
Unclassified shares	**50,000,000**	50,000,000
Issued		
Common (founder) shares	**2**	2
Participating redeemable preference shares	**7,999,595**	7,999,595

The unclassified shares may be allotted and issued as one or more classes of shares, including participating redeemable preference shares ("Preferred Shares" or "Shares"). To qualify as participating redeemable preference shares, the Preferred Shares are required under Guernsey Law to have a preference over another class of share capital. The Preferred Shares may be redeemed at the option of the Company, subject to the discretion of the directors.

The common or founder shares have been created so that Preferred Shares may be issued. The common or founder shares are not redeemable and do not carry any right to vote or receive dividends and are only entitled to participate in the assets of the Company on a winding-up.

In the prior year, the Company issued the following Shares:

Date	Number of Preferred Shares	Unit cost US$	Total proceeds US$
21 October 2013	**707,228**	3.00	**2,121,684**(1)

(1) The cost of issue of these Shares was US$307,723.

REPURCHASED

In the period ended 30 June 2014, no shares were repurchased (2013: Nil).

SHARE-BASED PAYMENTS

The Company has the ability to issue share options representing 20 per cent of the fully diluted capital of the Company under its share-option plan. The share options are exercisable in three equal tranches on the first three anniversaries of the grant date and have ten-year lives. At 30 June 2014, 1,552,927 share options (31 December 2013: 1,552,927) were exercisable, with a weighted average exercise price of US$14.03 (31 December 2013: US$13.49).

15. SHAREHOLDERS' EQUITY CONTINUED

Summary of share-option activity	Number of share options	Weighted average exercise price US$
At 31 December 2012	**1,552,927**	**12.49**
Granted	–	–
Exercised	–	–
Cancelled	–	–
At 31 December 2013	**1,552,927**	**13.49**
Granted	–	–
Exercised	–	–
Cancelled	–	–
At 30 June 2014	**1,552,927**	**14.03**

There is no expense in 2014 (2013: US$Nil) as no share options were issued during the period.

16. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Company is exposed to a variety of financial risks: credit risk, liquidity risk and market risks, which include interest-rate risk, currency risk and other price risks.

The value of investments within the Company's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, the market and company news related to specific securities within the portfolio. The level of risk may depend on, inter alia, the Company's investment objective and the type of securities in which it invests.

The primary investment objective of the Company is to generate long-term capital growth by investing expansion capital in companies that provide services and technology to the upstream oil and gas industry. On a quarterly basis, the Company performs a formal review of its investments. This review includes, but is not limited to, an assessment of the global macro-economic environment, the outlook for credit and the amount of active risk being taken in the Company.

The Company's overall risk management programme seeks to minimise the potentially adverse effect of risk on the Company's financial performance in a manner consistent with the Company's investment objective.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

The Company is exposed to credit risk in respect of the investment portfolio, with a maximum exposure equal to the value of the loans advanced. Credit risk is mitigated by the Company's Investment Manager performing satisfactory due diligence on prospective investments. Under the terms of the convertible secured debenture, should the principal not be repaid by the maturity date or if there is a default in the debenture covenants, the debenture is secured by a charge over an investee company's assets or may be converted into ordinary shares of the borrower. However, the Company may not be able to recover some or all of the value of the debenture through realisation of the investee company's assets or shares.

Given the status of the Investee Companies and their respective financial positions, the recoverability of these investments is, in some cases, predicated on the performance of the companies. Provisions have been made where appropriate.

The Company's investments are focused solely on the oil and gas technology sector. The Company attempts to mitigate its exposure by investing in companies that sell their services internationally.

The Company is exposed to credit risk in respect of its cash and cash equivalents, arising from possible default of the relevant counterparty, with a maximum exposure equal to the carrying value of those assets. The credit risk on liquid funds is limited because the company only invests its cash and cash equivalents with its banker and custodian, the Royal Bank of Canada (Channel Islands) Limited, a counterparty with a high credit-rating which has been assigned by international credit-rating agencies. The Company regularly monitors the placement of its cash balances.

16. FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk

Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price.

The Company's exposure to liquidity risk is concentrated in the investments of promissory notes and equity of private companies. The Company invests in securities that are not traded in active markets and cannot be readily disposed. The Company seeks to maintain a sufficient level of cash or other liquid assets to minimise liquidity risk, which is further mitigated because the Preferred Shares of the Company are redeemable only at the Company's discretion.

During the year ended 31 December 2013, the Company issued shares to raise further capital, as outlined in note 15. The net capital raised of around US$1.8 million enabled the Company rigorously and successfully to defend against the litigation and to avoid a fire sale of the investments in late 2013. As a result, the Company has been able to initiate an orderly realisation process.

Market risks

Interest-rate risk

Interest-rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest-rate risk arises when the Company invests in interest-bearing financial instruments. The Company is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The Company seeks to mitigate this risk by monitoring the placement of cash balances in order to maximise the interest rates obtained.

Sensitivity to movements in interest rates is limited by the fact that the Company's investments bear interest at a fixed rate, although the fair value of the debt is sensitive to changes in interest rates.

To gauge the duration of the debt instruments, their maturities on a cost basis are as follows:

DEBT INSTRUMENTS BY MATURITY DATE	**Cost 30 June 2014 US$**	Cost 31 December 2013 US$
Less than 1 year	**29,781,660**	29,481,660
1 – 3 years	**–**	–
3 – 5 years	**–**	–
Greater than 5 years	**–**	–
Total	**29,781,660**	29,481,660

Other price risks

Other price risk include the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those arising from interest-rate risk. They represent the potential loss that the Company might suffer through holding interests in unquoted private companies whose value may fluctuate and that may be difficult to value or realise.

All investments carry a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within the limits of the Company's investment objective and strategy, as well as by establishing a clear exit strategy for all potential investments. The Investment Manager monitors the Company's overall market positions on a quarterly basis. Financial instruments held by the Company are susceptible to market-price risk arising from uncertainties about future prices of the instruments. If the value of the Company's investment portfolio were to decline by 10 per cent, it would represent a loss of US$3.1 million (31 December 2013 - US$3.1 million). This would cause the net asset value of the Company to fall by 10.5 per cent (31 December 2013 - 9.5 per cent).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than United States dollars, which is the functional currency of the Company. There are no significant assets or liabilities in currencies other than the United States dollar. As such, currency risk is not considered a material risk to the Company.

Assets and liabilities not carried at fair value but for which fair value is disclosed

The carrying value less impairment of receivables and payables are assumed to approximate their fair values. Receivables and payables are considered to fall within level 3 of the fair value hierarchy and cash and cash equivalents within level 1.

17. CAPITAL MANAGEMENT

The Company considers Shareholders' Equity to be its capital. The Company does not have any externally imposed capital requirements.

18. POST-BALANCE SHEET EVENT

Following the court's rejection of the claim against the Company initiated by QOGT and described elsewhere in this report, the claimant has agreed to make an interim payment of £0.5 million on account of the Company's legal costs. The Company is now preparing the detailed documentation for a full costs hearing that will determine the final settlement figure.

The outcome of the costs hearing, once known, will be announced in the normal way. The directors believe that the Company will achieve a substantial recovery of the significant level of costs that it has been compelled to spend in order successfully to defend this action.

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