Registered number: 01021095

Island Gas (Singleton) Limited

Annual Report and Unaudited Financial Statements
for the year ended 31 December 2021

Company information

Ultimate parent undertaking	IGas Energy plc
Directors	S D Bowler (resigned 15 September 2022) T Perera Schuetze F Ward C Hopkinson (appointed 15 September 2022)
Registered number	01021095
Registered office	Welton Gathering Centre Barfield Lane Off Wragby Road Sudbrooke Lincoln England LN2 2QX
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP

Copies of Annual Report and Unaudited Financial Statements

Further copies of this Annual Report and Unaudited Financial Statements can be obtained from Island Gas (Singleton) Limited's Registered Office.

Directors' report

Registered number: 01021095

The Directors present their report and unaudited financial statements of Island Gas (Singleton) Limited (the "Company") for the year ended 31 December 2021.

Directors of the company

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 1.

Dividends

The Directors do not recommend the payment of a dividend.

Principal activities and future developments

The Company has ceased oil and gas production activities since 2017 following the transfer of its assets to IGas Energy Enterprise Limited as part of a reorganisation within the IGas Energy plc Group (the "Group").

Basis of preparation

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The Directors have also taken advantage of the small companies' exemptions provided by section 414B of the Companies Act 2006 and have not prepared a strategic report.

Financial instruments

The Company is financed with intercompany loans. Advances from affiliates are used to satisfy short term cash flow requirements.

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

- Liquidity risk

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

Events since the balance sheet date

There have been no events since the balance sheet date which require disclosure under IAS 10.

Directors' liabilities

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

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or Officers of any Group company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by Section 234 of the Companies Act 2006. The nature and extent of the indemnities is as described in Article 53 of the Company's Articles of Association as adopted on 11 September 2019. These provisions remained in force throughout the year and remain in place at the date of this report.

Directors' report (continued)

Registered number: 01021095

Audit exemption

For the year ended 31 December 2021, the Company was entitled to exemption from audit under *section 479A of the Companies Act 2006 relating to subsidiary companies.*

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006; and
- *the Directors acknowledge their responsibilities for complying with the requirements of the* Companies Act 2006 with respect to accounting records and the preparation of accounts.

On behalf of the Board

Frances Ward

F Ward
29 September 2022

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Frances Ward

F Ward
Director
29 September 2022

Income statement
For the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £000**	Year ended 31 December 2020 £000
Decrease/(increase) in credit loss allowance	**8**	**11,560**	(390)
Operating profit/(loss)	**3**	**11,560**	(390)
Finance income	**5**	**370**	158
Finance costs	**6**	**(3,394)**	(4,138)
Profit/(loss) before tax		**8,536**	(4,370)
Income tax (expense)/credit	**7**	**-**	-
Profit/(loss) for the financial year		**8,536**	(4,370)

All transactions in current and previous year are derived from continuing activities.

Statement of comprehensive income
For the year ended 31 December 2021

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Profit/(loss) for the year	**8,536**	(4,370)
Total comprehensive profit/(loss) for the year	**8,536**	(4,370)

The notes on pages 8 to 15 are an integral part of these financial statements.

Statement of financial position
At 31 December 2021

	Note	31 December 2021 £000	31 December 2020 £000
Current assets			
Other receivables	8	**64,932**	52,993
		64,932	52,993
Current liabilities			
Creditors: amounts falling due within one year	9	**(7,364)**	(7,355)
Net current assets		**57,568**	45,638
Total assets less current liabilities		**57,568**	45,638
Non-current liabilities			
Creditors: amounts falling due after more than one year	10	**(58,013)**	(54,619)
		(58,013)	(54,619)
Net assets/(liabilities)		**(445)**	(8,981)
Capital and reserves			
Called up share capital	11	**4,357**	4,357
Accumulated deficit		**(4,802)**	(13,338)
Total shareholders' surplus/(deficit)		**(445)**	(8,981)

The notes on pages 8 to 15 are an integral part of these financial statements.

Audit exemption

For the year ended 31 December 2021, the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on page 5 to 15 were approved and authorised for issue by the Board on 29 September 2022 and are signed on its behalf by:

Frances Ward

F Ward
Director

Statement of changes in equity
For the year ended 31 December 2021

	Called up share capital (note 11) £000	Accumulated surplus/ (deficit) £000	Total shareholders' equity/(deficit) £000
At 1 January 2020	4,357	(8,968)	(4,611)
Total comprehensive loss for the year	-	(4,370)	(4,370)
At 31 December 2020	4,357	(13,338)	(8,981)
Total comprehensive profit/(loss) for the year	-	**8,536**	**8,536**
At 31 December 2021	**4,357**	**(4,802)**	**445**

The notes on pages 8 to 15 are an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2021

1. General information

The financial statements of Island Gas (Singleton) Limited (the "Company") for the year ended 31 December 2021 were approved by the Board and authorised for issue on 29 September 2022.

The Company is a private company limited by share capital incorporated in England and domiciled in the United Kingdom.

2. Accounting policies

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

2.1. Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act) as applicable to companies using FRS 101. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of UK-adopted international accounting standards.

The Company is a qualifying entity for the purposes of FRS 101. Note 13 gives details of the Company's ultimate parent undertaking and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The financial statements are prepared in accordance with the historical cost convention and have been prepared on the going concern basis.

The Company's financial statements are presented in Pounds Sterling.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of: paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- the requirement of paragraph 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors, requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective.

2. Accounting policies (continued)

2.1. Basis of preparation (continued)

Going concern

The Company is reliant on the continued financial support of its ultimate parent undertaking, IGas Energy plc ("IGas"). The Directors therefore considered the going concern assessment prepared in respect of the unaudited consolidated condensed financial statements of IGas for the period ended 30 June 2022, approved on 15 September 2022, which included disclosure of the following information in respect of the IGas Group's ability to continue as a going concern:

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

The Group's operating cash flows have improved in 2022 as a result of improving commodity prices and we have successfully completed the May 2022 redetermination. However, the ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its RBL, which is redetermined semi-annually based on various parameters (including oil price and level of reserves) and is also dependent on the Group not breaching its RBL covenants. We also assumed that our existing RBL facility is amortised in line with its terms, but is not refinanced or extended, resulting in a reduction in the facility to $7 million from 01 January 2024. To mitigate these risks, the Group has a hedging policy with 70,000 bbls hedged for September to December 2022 using swaps at an average price of $76/bbl and 35,000 bbls using puts with an average price, net of premiums, of $45/bbl, and a further 60,000 bbls hedged for H1 23 using swaps at an average price of $95/bbl.

Management has considered the impact of supply chain constraints on the Group's operations. We have seen some impact on production during 2022 but we have developed a number of contingency plans to mitigate this and any future COVID-19 related disruptions. Many of our sites are remotely manned and we are well equipped as a business to ensure we maintain business continuity recognising that our production comes from a large number of wells in a variety of locations and we have flexibility in our off-take arrangements.

Crude oil prices rose during 2022 as loosening pandemic-related restrictions and growing economies resulted in global petroleum demand rising faster than supply. The war in Ukraine and sanctions imposed on Russia have led to concerns about oil and gas supply disruption also adding support to prices. Going forward, prices remain volatile with cost of living and recession concerns in many economies increasing risks on the demand side.

The Group's base case cash flow forecast was run with average oil prices of $98/bbl for the remainder of 2022, falling to an average of $90/bbl in 2023 and $80/bbl in Q1 24 based on the forward curve, and a foreign exchange rate of $1.22/£1. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility for at least 12 months from the date of approval of the financial statements. Management has also prepared a downside case with average oil prices at $88/bbl for the remainder of 2022; $80/bbl for H1 2023, falling to $75/bbl and $70/bbl for Q3 and Q4 2023, respectively, and $65/bbl for Q1 2024. We forecast an average exchange rate of $1.26/£1.00 for the remainder of 2022, an average of $1.29/£1.00 for 2023 and $1.30/£1.00 for Q1 2024. Our downside case also included an average reduction in production of 5% over the period. Management would take mitigating actions including delaying capital expenditure and additional reductions in costs in order to remain within the Group's debt liquidity covenants should such actions be necessary. All such mitigating actions are within management's control. We have not assumed any extensions or refinancing to the RBL. In this downside scenario, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants for at least 12 months from the date of approval of the financial statements.

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

2.2. New and amended standards and interpretations

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

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

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

The adoption of these standards does not have a material impact on the Company in the current or future reporting periods.

2.3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements in accordance with FRS 101 requires management to make judgements and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, the Company has identified the expected credit loss estimation as an area where significant judgements and estimates are required, and where if actual results were to differ, this could materially affect the financial position or financial results reported in future periods.

2.4. Significant accounting policies

(a) Financial instruments

Other receivables

Details about the Company's impairment policy and the calculation of expected credit loss allowance is provided in the Impairment of financial assets accounting policy below.

Other payables

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

Impairment of financial assets

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

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

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

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

(b) Group loans

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2021

2.4. Significant accounting policies (continued)

(c) Taxation

The tax charge/credit includes current tax and deferred tax.

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

(d) Equity

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

(e) Foreign currency

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

3. Operating profit/(loss)

Operating profit/(loss) is stated after reversing/ charging an impairment loss on financial assets (note 8).

The Company does not have any employees (2020: none).

4. Directors' remuneration

No Directors serving at the balance sheet date or during the current or previous financial year have been paid any emoluments by the Company as they are employed by either IGas Energy plc or another member of the Group.

No management charge has been made by IGas Energy plc (2020: £nil). No amounts are charged for Directors' services.

Details of emoluments paid to Directors for services to the IGas Group are detailed in the IGas Energy plc Annual Report and Accounts available on the ultimate parent undertaking's website at www.igasplc.com.

5. Finance income

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Interest income from amounts owed by Group undertakings	**158**	158
Foreign currency exchange gain	**212**	-
Total finance income	**370**	158

6. Finance costs

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Interest expense from amounts owed to Group undertakings	**(3,394)**	(3,403)
Foreign currency exchange loss	**-**	(735)
Total finance costs	**(3,394)**	(4,138)

7. Income tax (expense)/credit

Tax (expense)/credit on loss from ordinary activities

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Current tax		
Current income tax for the year	**-**	-
Income tax (expense)/credit	**-**	-

Changes to the UK corporation tax rates from the Finance No. 2 Bill 2021, which became substantively enacted on 24 May 2021 included the UK corporation tax rate changing from 19% to 25% effective 1 April 2023 for companies with profits in excess of £250,000. It also introduced a small profits rate of corporation tax of 19% for companies with profits of £50,000 or less and "marginal relief" to provide a gradual increase in the rate for companies with profits between £50,000 and £250,000. As company profits are not expected to exceed £50,000, the deferred tax balance has been recognised at 19% (2020: 19%).

Factors affecting the tax (expense)/credit

A reconciliation of the UK statutory corporation tax rate applicable to the Company's profit/loss before tax to the Company's total tax credit/(expense) is as follows:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Profit/(loss) before tax	**8,536**	(4,370)
Expected tax (expense)/credit based on profit before tax multiplied by the average rate of corporation tax in the UK of 19% (2020: 19%)	**(1,622)**	830
Tax effect of expenses not allowable for tax purposes	**2,197**	(74)
Group relief surrendered	**(575)**	(756)
Income tax (expense)/credit	**-**	-

Notes to the financial statements (continued)
For the year ended 31 December 2021

8. Other receivables

	31 December 2021 £000	31 December 2020 £000
Amounts due from Group undertakings	**64,932**	52,993
Total debtors	**64,932**	52,993

Payment terms for balances due from Group undertakings are as mutually agreed between the companies within the Group. The Company does not intend to call on the loan within 12 months from the date of the approval of these financial statements.

Amounts due from Group undertakings are stated after the expected credit losses of £0.9million (31 December 2020: £12.5 million). The credit loss allowance provided is as follows:

	31 December 2021 £000	31 December 2020 £000
Opening loss allowance at 1 January	**12,494**	12,104
(Decrease)/increase in loss allowance recognised in income statement	**(11,560)**	390
Closing loss allowance at 31 December	**934**	12,494

The carrying value of the Company's financial assets as stated above is considered to be a reasonable approximation of their fair value.

9. Creditors: amounts falling due within one year

	31 December 2021 £000	31 December 2020 £000
Amounts due to Group undertakings	**(7,364)**	(7,355)
Total creditors falling due within one year	**(7,364)**	(7,355)

Payment terms for balances due to Group undertakings are as mutually agreed between the companies within the Group.

The carrying value of the Company's financial liabilities is considered to be a reasonable approximation of their fair value.

10. Creditors: amounts falling due after more than one year

	31 December 2021 £000	31 December 2020 £000
Amounts due to Group undertakings	**(58,013)**	(54,620)
Total creditors falling due after more than one year	**(58,013)**	(54,620)

Amounts due to Group undertakings include intercompany loans with original repayment terms of five years and bear interest at a fixed rate of 12%. These balances are repayable on demand. The counterparty has confirmed that it does not intend to call on the loan within 12 months from the date of the approval of these financial statements

Notes to the financial statements (continued)
For the year ended 31 December 2021

11. Called up share capital

	Par value / share	**2021 shares**	2020 shares	**2021 £'000**	2020 £'000
Authorised, allotted, capital, and fully paid					
1 January	£0.05	87,144,893	87,144,893	4,357	4,357
31 December	£0.05	**87,144,893**	87,144,893	**4,357**	4,357

The ordinary shares confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association.

12. Subsequent events

On 23 September 2022, the Government introduced 'The Growth Plan 2022' to parliament. Among other measures, this announced that the planned increase to the corporation tax rate discussed in note 7 will not go ahead. The effects of this announcement are not included in these financial statements, given that the change was not substantially enacted at the balance sheet date.

13. Ultimate parent undertaking

The Company's immediate parent undertaking is Island Gas Limited.

The Company's ultimate parent undertaking is IGas Energy plc which is the only undertaking to consolidate these financial statements. The Company is included within these Company financial statements which are publicly available on the ultimate parent undertaking's website at www.igasplc.com.