

Star Energy Holdings Limited
(formerly Pentex Energy Limited)
Directors' report and financial
statements
Registered Number: 1915605
31 December 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of the Company is that of an intermediate holding company.

Business review and developments during the year

The Company did not trade during the year and accordingly no profit and loss account has been presented.

The directors do not recommend the payment of a final dividend.

On 8 August 2005, the directors JG Graham and RP Jordan who together owned all the share capital of Pentex Management Limited, the immediate and ultimate parent company of Pentex Energy Limited, sold their interests in Pentex Management Limited to Star Energy Group plc.

On 24 August 2005, the Company changed its name to Star Energy Holdings Limited.

Directors and directors' interests

The following directors held office during the year:

| | |
|-----------|----------------------------|
| R Wessel | (Appointed: 5 August 2005) |
| C Judd | (Appointed: 5 August 2005) |
| JG Graham | (Resigned: 5 August 2005) |
| RR Jordan | (Resigned: 5 August 2005) |

The interests and the rights to subscribe for shares in group companies of R Wessel and C Judd are disclosed in the directors' report of the ultimate parent company Star Energy Group plc.

None of the other directors who held office at the 31 December 2005 had any disclosable interest in the shares of the Company.

At 1 January 2005, JG Graham and RR Jordan owned 52% and 48% respectively of the Ordinary share capital of Pentex Management Limited, the Company's ultimate parent company.

No rights to subscribe for shares in or debentures of the Company or any other group company were granted to the directors' immediate families, or exercised by them, during the financial period.

Corporate governance

Star Energy Holdings Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance.

Directors' report *(continued)*

Limited liability of Company Officers

As permitted by the Companies Act 1985, the Company has purchased insurance cover for the directors and officers of the Company against liabilities in relation to the Company.

Auditors

On 5 August 2005, Mazars LLP issued the Company with a formal notice of resignation following management's decision to put the audit out to tender.

On 13 December 2005, BDO Stoy Hayward LLP were appointed auditors of the Company.

In accordance with the Companies Act 1985, a resolution for the re-appointment of BDO Stoy Hayward LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Colin Judd
Director

Kempson House
Camomile Street
London
EC3A 7AN
31 March 2006

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the shareholders of Star Energy Holdings Limited

We have audited the financial statements of Star Energy Holdings Limited for the year ended 31 December 2005 which comprise the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the shareholders of Star Energy Holdings Limited (*continued*)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005.
- have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

~~BDO~~ Stoy Hayward LLP

Chartered Accountants and Registered Auditors

London

31 March 2006

Balance sheet
at 31 December 2005

| | <i>Note</i> | 2005 £'000 | 2004 £'000 |
|-----------------------------------|-------------|-----------------------------|-----------------------------|
| Fixed assets | | | |
| Investments | 2 | 22,457 | 22,412 |
| Capital and reserves | | | |
| Called up share capital | 3 | 3,320 | 3,320 |
| Capital reserve | 4 | 520 | 475 |
| Profit and loss account | 4 | 18,617 | 18,617 |
| Equity shareholder's funds | | 22,457 | 22,412 |

These financial statements were approved by the board of directors and authorised for issue on 31 March 2006 and were signed on its behalf by:



Colin Judd
Director

The notes on pages 7 to 9 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The Company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare consolidated group financial statements. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

As the Company is a wholly owned subsidiary of Star Energy Group plc which is incorporated in the UK, the Company has taken advantage of the exemption contained in Financial Reporting Standard (*FRS*) 8: *Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Star Energy Group plc, within which this Company is included, can be obtained from Norton Rose whose address is given in Note 8.

Changes in accounting policies

The Company has adopted *FRS 20 Share-based payments*, *FRS 21 Events after the balance sheet date* and *FRS 28 Corresponding amounts*. The adoption of each of these standards represents a change in accounting policy, however, none necessitated the comparative figures being restated.

Investments

Fixed asset investments in subsidiaries are included in the financial statements at cost less provision for impairment.

The carrying value of fixed assets are reviewed for impairment in the periods when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is provided for in the current period profit and loss account when the carrying value of the assets exceeds their estimated recoverable amount. The estimated recoverable amount is defined as the higher of the net realisable value and the value in use. The value in use is determined by reference to estimated future discounted cashflows.

Notes to the financial statements *(continued)*

2 Fixed asset investments

| | 2005 £'000 | 2004 £'000 |
|------------------------------------------|---------------|---------------|
| Shares in subsidiary undertakings | | |
| Cost | | |
| At beginning of the year | 34,891 | 34,891 |
| Additions | 45 | - |
| | <hr/> | <hr/> |
| At end of the year | 34,936 | 34,891 |
| | <hr/> | <hr/> |
| Provision for diminution in value | | |
| At beginning and end of the year | 12,479 | 12,479 |
| | <hr/> | <hr/> |
| Net book value | | |
| At end of year | 22,457 | 22,412 |
| | <hr/> | <hr/> |
| At beginning of year | 22,412 | 22,412 |
| | <hr/> | <hr/> |

| Subsidiary undertakings | Country of incorporation | Principal activity | Class and percentage of shares held |
|--------------------------------------------------------------------------|-------------------------------------|-------------------------------------------|----------------------------------------------------|
| <i>Held directly:</i> | | | |
| Star Energy Oil Limited (formerly Pentex Oil Limited) | United Kingdom | Investment holding company | 100% of ordinary of £0.10 each |
| <i>Held by intermediate subsidiary:</i> | | | |
| Star Energy Oil UK Limited (formerly Pentex Oil UK Limited) | United Kingdom | Oil and gas development and Production | 100% of ordinary of £1 each |
| Star Energy Oil and Gas Limited (formerly Pentex Oil and Gas Limited) | United Kingdom | Oil and gas development and Production | 100% of ordinary of £1 each |

Notes to the financial statements (*continued*)

3 Called up share capital

| | 2005 £'000 | 2004 £'000 |
|---------------------------------------------------------------|---------------|---------------|
| <i>Authorised</i> | | |
| 872,081,636 (2004: 872,081,636) Ordinary shares of £0.01 each | 8,721 | 8,721 |
| <i>Allotted, called up and fully paid</i> | | |
| 331,979,591 (2004: 331,979,591) Ordinary shares of £0.01 each | 3,320 | 3,320 |

5 Reconciliation of movement in shareholder's funds

| | Share capital £'000 | Capital reserve £'000 | Profit and loss account £'000 | Total £'000 |
|------------------------------------------|---------------------------|-----------------------------|-------------------------------------|----------------|
| At 1 January 2004 | 3,320 | 475 | 18,617 | 22,412 |
| Result for the year | - | - | - | - |
| At 1 January 2005 | 3,320 | 475 | 18,617 | 22,412 |
| Result for the year | - | - | - | - |
| Charges relating to share based payments | - | 45 | - | 45 |
| At 31 December 2005 | 3,320 | 520 | 18,617 | 22,457 |

6 Contingent liability

The Company is part of a cross group guarantee relating to loans held by its ultimate parent company which at the 31 December 2005 totalled £72,928,000 (2004: £5,104,000).

7 Related parties

The Company has taken advantage of the exemptions available under FRS8 and has not disclosed full details of transactions with undertakings owned by its ultimate parent, Star Energy Group plc, since it came under common ownership on 8 August 2005 or with other undertakings under the common ownership of its ultimate parent Star Energy Group Plc since 8 August 2005.

The Company did not enter into any transactions with its former directors JG Graham and RR Jordan during the year.

Notes to the financial statements *(continued)*

8 Parent company and ultimate controlling party

The immediate parent company is Star Energy Management Limited (formerly Pentex Management Limited) and the ultimate controlling party is Star Energy Group plc, which is incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Star Energy Group plc. The consolidated accounts of the group are available to the public from the registered office.

The registered office of Star Energy Group plc is:

Norton Rose
Kempson House
Camomile Street
London
EC3A 7AN