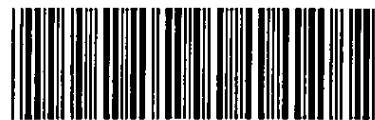


Star Energy Holdings Limited
Directors' report and financial
statements
Registered Number: 1915605
31 December 2006

TUESDAY



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Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Star Energy Holdings Limited	4
Balance sheet	6
Notes to the financial statements	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities

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

Business review and developments during the year

The Company, due to its size, has taken advantage of the exemption available under Section 234ZZB of the Companies Act 1985 not to present a Business Review in accordance with the Companies Act 1987 requirements

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

Directors and directors' interests

The following directors held office during the year

R Wessel
C Judd

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 2006 had any disclosable interest in the shares of the 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

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

Directors' report *(continued)*

Auditors

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

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
30 March 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 2006 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & 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 and whether the information given in the Directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 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 & 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 judgements 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 2006,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
London
30 March 2007

Balance sheet
at 31 December 2006

	<i>Note</i>	2006 £'000	2005 £'000
Fixed assets			
Investments	2	22,523	22,457
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	3	3,320	3,320
Capital reserve	4	586	520
Profit and loss account	4	18,617	18,617
		<hr/>	<hr/>
Shareholder's funds		22,523	22,457
		<hr/>	<hr/>

These financial statements were approved by the board of directors and authorised for issue on 30 March 2007 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 Management Limited which is incorporated in the UK, the Company has taken advantage of the exemption contained in *FRS 8 Related party disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group. 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 6.

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.

Share-based payment

In accordance with *FRS 20 Share-based payment*, the Company's proportion of the Group's economic cost of awarding shares and share options to employees is reflected by recording an expense in the profit and loss account equal to the fair value of the benefit awarded. The expense is recognised in the profit and loss account over the vesting period of the award.

Notes to the financial statements *(continued)*

2 Fixed asset investments

	2006 £'000	2005 £'000
Shares in subsidiary undertakings		
Cost		
At beginning of the year	34,936	34,891
Additions	66	45
	<hr/>	<hr/>
At end of the year	35,002	34,936
	<hr/>	<hr/>
Provision for diminution in value		
At beginning and end of the year	12,479	12,479
	<hr/>	<hr/>
Net book value		
At 31 December 2006	22,523	22,457
	<hr/>	<hr/>
At 31 December 2005	22,457	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	United Kingdom	Investment holding company	100% of ordinary of £0.10 each
<i>Held by intermediate subsidiary.</i>			
Star Energy Oil UK Limited	United Kingdom	Oil and gas development and Production	100% of ordinary of £1 each
Star Energy Oil and Gas Limited	United Kingdom	Oil and gas development and Production	100% of ordinary of £1 each

3 Called up share capital

	2006 £'000	2005 £'000
<i>Authorised</i>		
872,081,636 (2005 872,081,636) Ordinary shares of £0.01 each	8,721	8,721
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
331,979,591 (2005 331,979,591) Ordinary shares of £0.01 each	3,320	3,320
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

4 Reserves

	Capital reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2006	520	18,617	19,137
Charges relating to share based payments	66	-	66
	<hr/>	<hr/>	<hr/>
At 31 December 2006	586	18,617	19,203
	<hr/>	<hr/>	<hr/>

5 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 2006 totalled £77,028,000 (2005 £72,928,000). These guarantees are considered to be insurance contracts.

6 Parent company and ultimate controlling party

The immediate parent company is Star Energy 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