Registered number: 03806814

Star Energy Limited

Annual Report and Unaudited Financial Statements
For the year ended 31 December 2022

Company information

Ultimate parent undertaking	Star Energy Group plc (formerly IGas Energy plc)
Directors	S D Bowler (resigned 14 September 2022) T Perera Schuetze F Ward C Hopkinson (appointed 15 September 2022)
Registered number	03806814
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 Star Energy Limited's Registered Office.

Strategic report

Registered number: 03806814

The Directors present their Strategic report for the year ended 31 December 2022.

Business review and future developments

Star Energy Limited (the "Company") is a service company providing management services to Star Energy Group plc ("Star Energy") and its subsidiaries (collectively referred to as the "Group"). The principal activities of the Group are exploring for, appraising, developing and producing oil and gas and developing geothermal projects.

The Company made a loss before tax of £0.5 million for the year ended 31 December 2022 (2021: £0.8 million).

The main factors driving the movements between the years are as follows:

- Revenue increased by £1.1 million to £6.3 million (2021: £5.2 million), due to an increase in services provided to Group companies as a result of a higher timewriting rate and additional time charged;

- Administrative expenses increased by £0.6 million to £6.6 million (2021: £6.0 million) mainly due to higher staff and contractor costs; and

- Finance costs increased by £0.2 million to £0.2 million (2021: rounds to £nil million) driven by the impact of the movement in the USD/GBP foreign exchange rate on USD denominated amounts due to/from other Group undertakings.

Net assets were £15.7 million at 31 December 2022 (31 December 2021: £15.4 million), with the movement in net assets being driven by the loss in the period and the increase in other reserves as a result of share options issued under the employee share plan.

The Company's KPIs are aligned with those of the Group. The KPIs of the Group are detailed on pages 18-19 of *the Star Energy Group plc annual report.*

Principal risks and uncertainties

Star Energy Limited is a wholly owned subsidiary of Star Energy Group Plc which is domiciled in the United Kingdom. The main financial risks faced by the Company through its normal business activities, are credit risk and liquidity risk. The Company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity. The Company's principal risks, uncertainties and key performance indicators are identified and managed at the Group level. Information about the risks and uncertainties in the context of the Group business can be found in the Strategic Report within the 2022 Group Annual Report.

On behalf of the Board

Frances Ward

F Ward
Director
22 September 2023

Directors' report

Registered number: 03806814

The Directors present their report and unaudited financial statements for the year ended 31 December 2022.

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.

Star Energy Limited is a service company providing management services to the Star Energy Group. The principal activities of Star Energy Group are exploring for, appraising, developing and producing oil and gas and developing geothermal projects.

The Directors do not expect any change in the activities of the Company in the immediate future.

Financial instruments

The Company finances its activities with a combination of loans from the Group and cash. Advances from affiliates are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as other receivables, trade and other payables and cash and cash equivalents, arise directly from the Company's operating activities.

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

- Credit risk
- Liquidity risk

The Company's parent undertaking Star Energy Group plc manages the credit risk and liquidity risk associated with the whole Group, details of which can be found within the financial risk management disclosure note on pages 81-85 of the Group's 2022 Annual Report.

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 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.

Star Energy Limited

Directors' report (continued)

Registered number: 03806814

Audit exemption

For the year ended 31 December 2022, 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;
- 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
Director
22 September 2023

Directors' report (continued)

Registered number: 03806814

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' 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
22 September 2023

Income statement
For the year ended 31 December 2022

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Revenue		**6,299**	5,237
Administrative expenses		**(6,570)**	(5,987)
Operating loss	3	**(271)**	(750)
Finance costs	5	**(224)**	(11)
Loss before tax		**(495)**	(761)
Income tax charge	6	**(18)**	(1,153)
Loss for the year		**(513)**	(1,914)

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

Statement of comprehensive income
For the year ended 31 December 2022

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Loss for the year	**(513)**	(1,914)
Total comprehensive loss for the year	**(513)**	(1,914)

The notes on pages 9 to 23 are an integral part of these financial statements.

Star Energy Limited

Statement of financial position
At 31 December 2022

	Note	**31 December 2022 £000**	31 December 2021 £000 Restated
Non-current assets			
Property, plant & equipment	7	**67**	-
Right-of-use asset	8	**12**	38
Other receivables	9	**16,617**	16,422
Deferred tax asset	6	**121**	139
		16,817	16,599
Current assets			
Other receivables	9	**27,355**	23,080
Cash and cash equivalents		**49**	51
		27,404	23,131
Total assets		**44,221**	39,730
Current liabilities			
Creditors: amounts falling due within one year	10	**(28,521)**	(24,282)
Lease liability	8	**(7)**	(30)
		(28,528)	(24,312)
Non-current liabilities			
Lease liability	8	**-**	(12)
		-	(12)
Total liabilities		**(28,528)**	(24,324)
Net assets		**15,693**	15,406
Capital and reserves			
Called up share capital	11	**3,183**	3,183
Other reserves	12	**7,791**	6,991
Accumulated surplus		**4,719**	5,232
Total equity		**15,693**	15,406

The notes on pages 9 to 23 are an integral part of these financial statements.

Audit exemption

For the year ended 31 December 2022, 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 6 to 23 were approved and authorised for issue by the Board on 22 September 2023 and are signed on its behalf by:

Francis Ward

F Ward
Director
22 September 2023

Statement of changes in equity
For the year ended 31 December 2022

	Called up share capital (note 11) £000	Other reserves (note 12) £000	Accumulated surplus £000	Total equity £000
At 1 January 2021	3,183	6,259	7,146	16,588
Total comprehensive loss for the year	-	-	(1,914)	(1,914)
Share options issued under the employee share plan	-	732	-	732
At 31 December 2021	3,183	6,991	5,232	15,406
Total comprehensive loss for the year	**-**	**-**	**(513)**	**(513)**
Share options issued under the employee share plan	**-**	**800**	**-**	**800**
At 31 December 2022	**3,183**	**7,791**	**4,719**	**15,693**

The notes on pages 9 to 23 are an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2022

1. General information

Star Energy Limited (the "Company") is a private company limited by share capital incorporated in England and domiciled in the United Kingdom.

The principal activity of the Company is to act as a service company providing management services to the Star Energy Group. The principal activities of Star Energy Group are exploring for, appraising, developing and producing oil and gas and developing geothermal projects.

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 17 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.

The Company's financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated. Certain prior year numbers have been reclassified to conform to the current year presentation.

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), 16, 111 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 45(b) and 46-52 of IFRS 2 Share Based Payment; and
- the requirement of paragraph 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors, for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective.

Going concern

The Company is reliant on the continued financial support of its ultimate parent undertaking, Star Energy Group plc ("Star Energy"). The Directors therefore considered the going concern assessment prepared in respect of the unaudited condensed interim consolidated financial statements of Star Energy for the period ended 30 June 2023, approved on 13 September 2023, which included disclosure of the following information in respect of Star Energy Group's ability to continue as a going concern:

Notes to the financial statements (continued)
For the year ended 31 December 2022

2. Accounting policies (continued)

2.1. Basis of preparation (continued)

Going concern (continued)

"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 and 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 production rates.

Crude oil prices saw a decline in H1 2023 compared to 2022. The higher prices prevailing during the first half of 2022 were primarily as a result of a spike following Russia's invasion of Ukraine in February 2022 which led to disrupted Russian supply and global concerns over energy security. Oil prices softened in the second half of 2022 and the first half of 2023. Prices have increased in H2 2023 but uncertainty remains with cost of living and recession concerns in many economies increasing risks on the demand side whereas OPEC supply reductions and geopolitical concerns are supporting prices.

The Group has generated strong operating cashflows in the first half of 2023 following the successful production drive and reorganisation undertaken in Q4 2022, putting the business on a resilient and sustainable footing, able to withstand a wider range of commodity prices. However, the ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and on the Group not breaching its current RBL covenants.

The Group's base case cash flow forecast was run with average oil prices of $85/bbl for the remainder of 2023, falling to an average of $83/bbl in 2024 and $75/bbl in Q1 25 based on the forward curve, and a foreign exchange rate of an average $1.27/£1 for the 18-month period. 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 $nil million from 30 June 2024. Our forecasts show that the Group will have sufficient financial headroom to meet its financial covenants based on the existing RBL facility up to the date of its maturity in June 2024.

Management has also prepared a downside case with average oil prices of $75/bbl for Q4 2023; $73/bbl for H1 2024, falling to $68/bbl and $65/bbl for Q3 and Q4 2024, respectively, and $62/bbl for Q1 2025. We used an average exchange rate of $1.27/£1 for the remainder of 2023 and $1.30/£1 for 2024 and Q1 2025. Our downside case also included an average reduction in production of 5% over the period. In the event of the downside scenario, management would take mitigating actions including delaying capital expenditure and reducing costs, in order to remain within the Group's debt liquidity covenants over the remaining facility period, 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 funds to meet the liabilities as they fall due over the going concern assessment period. The Group will also have adequate financial headroom to meet its financial covenants based on the existing RBL facility up to the date of its maturity in June 2024. Management remains focused on maintaining a strong balance sheet and funding to support our strategy. As part of this financial policy, management continues to assess funding options for both the near and longer term.

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 half year financial statements."

Based on these indications, the Directors have a reasonable expectation that the Company will have access to sufficient resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2. Accounting policies (continued)

2.2 New and amended standards and interpretations

During the year, the Company adopted the following new and amended IFRSs for the first time for the Company's activities commencing 1 January 2022.

Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts—Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

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

2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements 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 following 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. Further information on this estimate and how it impacts the accounting policies is described in the relevant note to the financial statements.

Estimate:

Deferred tax asset recognition

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the Company's deferred tax assets, including those not recognised due to uncertainty regarding the future utilisation, are disclosed in note 6.

2. Accounting policies (continued)

2.4 Significant accounting policies

(a) Revenue

Revenue comprises the value of management fees charged to affiliates by the Company, net of value added tax. Revenue is recognised in income statement at a point in time, being the month the service is provided.

The Company holds certain employment contracts for the benefit of the entire Group. Where the risk, and therefore cost, of an employee being underutilised lies with the Company, the Company acts as principal, recognises employment costs in administrative expenses and a management recharge as revenue. However, where the risk lies with an affiliate, the Company acts as an agent and recognises the management recharge net of employment cost in administrative expenses.

(b) Non-current assets

Property, plant and equipment

Property plant and equipment is stated at cost to the Company less accumulated depreciation and impairment. Depreciation is provided on such assets, with the exception of freehold land, at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives at the following rates:

Fixtures, fittings and equipment – between three and five years on a straight line basis

The Company does not capitalise amounts considered to be immaterial.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(c) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with original maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

Other receivables

Other receivables are initially recognised at fair value when related amounts are invoiced, then subsequently carried at amortised cost using the effective interest rate (EIR) method, less impairment. 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.

Trade and other payables

These financial liabilities are all non-interest bearing and are initially recognised at the fair value of the consideration payable. These are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost. These are measured at an amount equal to lifetime ECL where these relate to trade and other receivables and a simplified approach can be adopted. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

For all other financial instruments, the Company recognises lifetime ECL where there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(d) Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(d) Leases (continued)

Lease liabilities
The Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index. The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right-of-use assets are subject to and reviewed regularly for impairment. Depreciation on right-of-use assets is included in depletion, depreciation and amortisation within administrative expense in the income statement.

Extension renewal and termination options
Extension, renewal and termination options are included in a number of land and other equipment leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an option to extend or renew, or not exercise a termination option. Extension and renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(e) 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.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date except when the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Temporary differences arise from differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered and the carrying amount is reviewed at each reporting date.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Notes to the financial statements (continued)
For the year ended 31 December 2022

2 Accounting policies (continued)

2.4 Significant accounting policies (continued)

(e) Taxation (continued)

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

(f) Share based payments

Where share options are awarded to employees including Directors, the fair value of the options at the date of the grant is recorded in equity over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including market vesting conditions, are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured by the change from immediately before to after the modification, is also recorded in equity over the remaining vesting period.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised on the award is recognised immediately.

Where an equity settled award is identified as a replacement, it will be treated as a modification to the original plan where the incremental fair value of the replacement award is expensed over the vesting period of the replacement award. The fair value of the original award on its grant date continues to be recognised over its original vesting period.

Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received. Charges corresponding to the amounts recognised in equity are accounted for as a cost against profit and loss unless the services rendered qualify for capitalisation as a non-current asset.

Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, the value of such shares at issue will be recorded in share capital and share premium account in the ordinary way, but will not affect total equity since this same value will be shown as a deduction from total equity by way of a separate component of equity.

(g) Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the Income Statement represents the contributions paid/payable to the scheme in respect of the accounting period.

(h) 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.

(i) 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.

Notes to the financial statements (continued)
For the year ended 31 December 2022

3 Operating loss

Operating loss is stated after (charging)/crediting:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Depletion, depreciation and amortisation (note 7 and 8)	**(37)**	(89)
Management recharges:		
Recognised in revenue	**6,299**	5,237
Recognised as a net reduction in administrative expenses	**5,837**	5,476
Total management charges	**12,136**	10,713

4 Employees and Directors

Employees

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Wages and salaries	**(8,231)**	(8,316)
Redundancy and termination benefits	**(320)**	-
Social security costs	**(1,037)**	(897)
Other pension costs	**(533)**	(523)
Gross cost of employees of the Company before recharges and share-based payment costs	**(10,121)**	(9,736)
Recharge of staff costs to affiliates	**5,837**	5,476
Share-based payment costs	**(787)**	(732)
Net staff costs recognised in the income statement	**(5,071)**	(4,993)

The average monthly number of employees (including Directors) employed by the Company during the year was:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Operations, including services	**107**	109
Administrative	**29**	30
Total average number of employees in the year	**136**	139

Notes to the financial statements (continued)
For the year ended 31 December 2022

4 Employees and Directors (continued)

Directors' emoluments

One Director is employed and paid by the Company (2021: two). Within the year, a second Director was employed and paid by the Company for the first nine months. Subsequently, this Director was employed and paid by Star Energy Group plc on behalf of the Group.

Amounts included in employees' cost for Directors' emoluments are as follows:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Emoluments and amounts receivable under long-term incentive schemes	**521**	541

Other Directors serving at the balance sheet date or during the current or previous year have not been paid any emoluments by the Company as they are employed by Star Energy Group plc.

No management charge has been made by Star Energy Group plc (2021: £nil). No amounts are charged for Directors' services, and the Group does not consider it practicable to generate a meaningful allocation into individual subsidiary entities for disclosure.

Details of emoluments for services to Star Energy Group paid to Directors not employed directly by the Company are detailed in the Star Energy Group plc Annual Report and Accounts available at www.starenergygroupplc.com.

5. Finance costs

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Finance charge on lease liability (note 8)	**(3)**	(11)
Net foreign exchange loss	**(221)**	-
Total finance costs	**(224)**	(11)

6. Income tax charge

Tax charge on loss from ordinary activities

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Current tax	**-**	-
Deferred tax		
(Credit)/charge relating to the origination and reversal of temporary differences	**(51)**	1,561
Credit due to tax rate changes	**-**	(408)
Charge in relation to prior periods	**69**	-
Income tax charge	**18**	1,153

Factors affecting the tax charge

A reconciliation of the UK statutory corporation tax rate applicable to the Company's loss before taxation to the Company's total tax charge is as follows:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Loss before tax	**495**	761
Expected tax credit based on loss before tax multiplied by an average rate of corporation tax in the UK of 19% (2021: 19%)	**(94)**	(144)
Prior year deferred tax charge	**69**	-
Tax effect of expenses not allowable/income not chargeable for tax purposes	**147**	(15)
Impact of profits or losses taxed or relieved at different rates	**(33)**	(31)
Net decrease in unrecognised losses carried forward	**(31)**	-
Net increase in unrecognised temporary taxable differences	**-**	1,706
Group relief (surrendered)/claimed	**(40)**	45
Tax rate changes	**-**	(408)
Income tax charge	**18**	1,153

Notes to the financial statements (continued)
For the year ended 31 December 2022

6. Income tax charge (continued)

Deferred tax

The following is an analysis of the deferred tax asset by category of temporary difference:

	2022 £000	2021 £000
Deferred tax asset at 1 January	**139**	1,292
Tax credit/(charge) during the year	**51**	(1,561)
Tax credit arising due to changes in the tax rates	**-**	408
Charge in relation to prior periods	**(69)**	-
Deferred tax asset at 31 December	**121**	139

	31 December 2022 £000	31 December 2021 £000
Accelerated capital allowances	**10**	32
Tax losses carried forward	**31**	-
Share-based payment	**81**	106
Other	**(1)**	1
Deferred tax asset	**121**	139

Tax losses

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

No deferred tax assets have been recognised in respect of tax losses carried forward of £2.6 million (2021: £2.6 million) in relation to excess management expenses.

The Company has further tax losses of £4.7 million (2021: £4.7 million) on which no deferred tax asset is recognised due to insufficient certainty regarding the availability of future profits.

Notes to the financial statements (continued)
For the year ended 31 December 2022

7. Property, plant and equipment

Fixtures, fittings and equipment

	2022 £000	2021 £000
Cost		
At 1 January	**465**	465
Additions	**78**	-
Disposals	**(465)**	-
At 31 December	**78**	465
Accumulated depreciation		
At 1 January	***465***	*465*
Charge for the year	**11**	-
Disposals	**(465)**	-
At 31 December	**11**	465
Net book value		
At 1 January	**-**	-
At 31 December	**67**	-

8. Right-of-use assets and lease liabilities

(a) Amounts recognised in the balance sheet

The Company has identified lease portfolios for other equipment as follows:

	31 December 2022 £000	31 December 2021 £000
Right-of-use assets		
Other equipment	**12**	38
	12	38

Notes to the financial statements (continued)
For the year ended 31 December 2022

8. Right-of-use assets and lease liabilities (continued)

(a) Amounts recognised in the balance sheet (continued)

Additions to the right-of-use assets during the 2022 financial year were £nil (2021: £nil).

	31 December 2022 £000	31 December 2021 £000
Lease liability		
Current	**(7)**	(30)
Non-current	**-**	(12)
	(7)	(42)

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Depreciation charge of right-of-use asset		
Property	**-**	(62)
Other equipment	**(26)**	(27)
	(26)	(89)
Interest expense (included in finance cost per note 5)	**(3)**	(11)

During the year ended 31 December 2022, the Company had a total cash outflow of £38,000 (31 December 2021: £105,000) on qualifying leases.

Notes to the financial statements (continued)
For the year ended 31 December 2022

9. Other receivables

	31 December 2022 £000	31 December 2021 £000 Restated
Amounts due from Group undertakings	**43,769**	39,302
Other receivables	**81**	51
Prepayments	**122**	149
Total other receivables	**43,972**	39,502
Current	**27,355**	23,080
Non-current	**16,617**	16,422

Payment terms for balances due from Group undertakings are as mutually agreed between the companies within the Group. The carrying value of the Company's financial assets as stated above is considered to be a reasonable approximation of their fair value. No provision for doubtful debts or provision for impairment is required (2021: £nil).

A portion of the amount due from Group undertakings has been classified as non-current where the Directors do not expect to realise the asset within twelve months of the end of the reporting period, and the prior period comparatives have also been restated in line with the requirements of IAS 1. The prior period restatement has resulted in a decrease to the current assets by £16,422 thousand and an increase in non-current assets by an equivalent amount. There was however no impact on the total assets or net assets of the Company.

10. Creditors: amounts falling due within one year

	31 December 2022 £000	*31 December* 2021 £000
Trade payables	**(209)**	(152)
Amounts due to Group undertakings	**(27,152)**	(22,880)
Other payables including taxation and social security	**(300)**	(232)
Accruals and deferred income	**(860)**	(1,018)
Total creditors falling due within one year	**(28,521)**	(24,282)

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 as stated above is considered to be a reasonable approximation of their fair value.

11. Called up share capital

	Par value p/share	**2022 shares**	2021 shares	**2022 £000**	2021 £000
Authorised, issued and fully paid					
At 1 January	£0.10	**31,831,429**	31,831,429	**3,183**	3,183
At 31 December	£0.10	**31,831,429**	31,831,429	**3,183**	3,183

Notes to the financial statements (continued)
For the year ended 31 December 2022

12. Other reserves

	2022 £000	2021 £000
At 1 January	**6,991**	6,259
Share options issued under the employee share plan	**800**	732
At 31 December	**7,791**	6,991

Other reserves of the Company arise from the proportion of share options granted to employees of the Company in connection with service for the benefit of the Company. The arrangements are explained in note 13.

13. Share-based payment arrangements including share incentive plan ("SIP")

The share-based payment arrangements; namely Executive Incentive Plan ("EIP"), Management Retention Plan ("MRP") and Executive Director Retention Plan ("EDRP"), are equity-settled in the shares of Star Energy Group plc.

In 2013, the Company adopted an HMRC approved Share Investment Plan ("SIP"). The scheme is a tax efficient incentive plan to acquire shares in Star Energy Group Plc.

The Company has taken advantage of the exemption not to disclose information regarding share-based payment arrangements as these are disclosed in the Group financial statements of its parent undertaking Star Energy Group plc which are publicly available on it's website at www.starenergygroupplc.com.

14. Pension scheme

The Company operates a defined contribution pension scheme. The pension charge for the year ended 31 December 2022 represents contributions payable by the Company to pension funds and amounted to £538,670 (2021: £522,684).

Contributions accrued at 31 December 2022 amounted to £58,333 (2021: £54,850).

15. Capital commitments

The Company has no capital commitments.

16. Subsequent events

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

17. Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking is Star Energy Group plc (formerly IGas Energy plc) which is the only undertaking to consolidate these financial statements. The Company is included within the Star Energy Group plc consolidated financial statements which are publicly available on the parent undertaking's website at www.starenergygroupplc.com.