

Star Energy (East Midlands) Limited

Annual Report and Financial Statements

Year Ended

31 March 2012

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Star Energy (East Midlands) Limited

**Annual report and financial statements
for the year ended 31 March 2012**

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Directors

A Austin
S Bowler

Secretary

MoFo Secretaries Limited

Registered office

7 Down Street, London, W1J 7AJ

Company number

3966330

Auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Star Energy (East Midlands) Limited

Annual Report of the directors for the year ended 31 March 2012

The directors present their Annual report together with the audited financial statements for the year ended 31 March 2012

Results and dividends

The company Profit and Loss is set out on page 5

Principal activity, trading review and future development

The company was dormant throughout the year following the transfer of all activity to Star Energy Oil and Gas Limited on 31 March 2011

Charitable donations

During the year, the company made charitable contributions of £Nil (2011- £7,000) There were no political contributions

Directors

The directors of the company during the year were

R Wessel (resigned on 21 November 2011)
C Judd (resigned on 21 November 2011)
M J Horgan (resigned on 14 October 2011)
S Reast (resigned on 13 December 2011)
K Reinisch (appointed on 19 September 2011 and resigned on 14 December 2011)
P Karunakaran (appointed 18 October 2011 and resigned 14 December 2011)
E Othman (appointed 18 October 2011 and resigned 14 December 2011)
M Jusoh (appointed 18 October 2011 and resigned 14 December 2011)
T Aziz (appointed 18 October 2011 and resigned 14 December 2011)
S Yap (appointed 18 October 2011 and resigned 14 December 2011)
S Bowler (appointed 14 December 2011)
A Austin (appointed 14 December 2011)

Corporate governance

Star Energy (East Midlands) Limited is committed to the highest level of integrity in all its business dealings and to maintaining a high standard of corporate governance

Star Energy (East Midlands) Limited

Annual Report of the directors for the year ended 31 March 2012 (Continued)

Directors' responsibility statement

The directors are responsible for preparing the annual report and the 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 of the company 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, 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 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 2006. They 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 confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

Directors' insurance and indemnity provisions

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 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 Section 54 of the Company's Articles of Association as adopted on 5 October 2009. These provisions remained in force throughout the year and remain in place at the date of this report.

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 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Stephen Bowler
Director

12 February 2013

Star Energy (East Midlands) Limited

Independent auditors' report to the shareholder of Star Energy (East Midlands) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR ENERGY OIL AND GAS LIMITED

We have audited the financial statements of Star Energy Oil and Gas Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profits for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Star Energy (East Midlands) Limited

Independent auditors' report to the shareholder of Star Energy (East Midlands) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young Ltd.

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

12 February 2013

Star Energy (East Midlands) Limited

Profit and loss account for the year ended 31 March 2012

		Year Ended 31 March 2012 £000	Year Ended 31 March 2011 £000
Turnover	2	-	18,458
Operating costs		-	(5,320)
Depletion		-	(1,074)
Total cost of sales		-	(6,394)
Gross profit		-	12,064
Administration costs		-	(463)
Other operating income		-	89
Profit on sale of fixed assets		-	2
Operating profit	4	-	11,692
Interest receivable and similar income	5	-	560
Interest payable and similar charges	6	-	(726)
Profit on ordinary activities before taxation		-	11,526
Taxation on profit on ordinary activities	7	-	(7,147)
Retained profit for the financial year		-	4,379

Statement of total recognised gains and losses for the year ended 31 March 2012

There are no recognised gains or losses attributable to the shareholder of the company other than the profit of £nil for the year ended 31 March 2012 (2011 – profit of £4,379,000)


The notes on pages 7 to 14 form part of these financial statements

Star Energy (East Midlands) Limited

Balance sheet
at 31 March 2012
Company number 3966330

		Year Ended 31 March 2012 £000	Year Ended 31 March 2011 £000
Net assets		-	-
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account		-	-
Shareholder's funds	11	-	-

The financial statements were approved by the Board of Directors and authorised for issue on 12 February 2013



Stephen Bowler
Director

The notes on pages 7 to 14 form part of these financial statements

Star Energy (East Midlands) Limited

Notes forming part of the financial statements for the year ended 31 March 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The following principal accounting policies have been applied:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, and in accordance with the Statement of Recommended Practice ("SORP") Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities. The company has adopted the successful efforts method of accounting for oil and gas operations.

Under *Financial Reporting Standard (FRS) 1 Cash flow statements*, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of IGas Energy plc which is incorporated in the United Kingdom, 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 to which both IGas Energy plc and Star Energy East Midlands Limited belong. The consolidated financial statements of IGas Energy plc, within which this company is included, can be obtained from IGas Energy plc's registered office.

As part of a Group wide restructuring in 2011 the company was acquired by Star Energy Oil and Gas Limited and all of its assets, liabilities and their related trade were transferred to Star Energy Oil and Gas Limited on 31 March 2011.

Turnover

All turnover is derived from UK based operations. Turnover is derived from sales of oil to third party customers. Electricity and gas turnover is recognised on a monthly basis calculated from meter readings.

Intangible fixed assets

Exploration expenditure which is general in nature is charged directly to the profit and loss account and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off. Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised to be depreciated over the lives of these reserves.

Once capitalised, exploration and evaluation expenditure is reviewed for impairment at each balance sheet date. Any impairment is charged through the profit and loss account.

The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested. If it is decided to develop the area to which the intangible fixed asset expenditure relates, the expenditure will be transferred to tangible fixed assets as oil and gas properties.

Star Energy (East Midlands) Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (Continued)

1 Accounting policies (Continued)

Tangible fixed assets – oil and gas properties

Any impairment in the value of an asset is charged through the profit and loss account as additional depletion where it is considered that an impairment of the asset value has occurred

Proceeds from the full or partial disposal of a property where commercial reserves have not been established are credited to the relevant cost centre. Only if there is a surplus in the cost centre are any of the proceeds credited to income. A gain or loss on disposal of an interest in a field where commercial reserves have been established is recognised to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalized costs of the field or property.

Depletion and depreciation – oil and gas properties

The net book value of producing assets are depreciated on a field by field basis using the unit of production method by reference to the ratio of production in the period to the related commercial reserves of the field at the beginning of the period, taking into account future development expenditures necessary to bring those reserves into production.

Other fixed assets

Other tangible fixed assets are stated at historical cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated on all other tangible fixed assets, other than freehold land, on a straight-line basis at rates calculated to write off the cost or valuation of those assets, less estimated residual value, over its expected useful life of between 3 and 10 years.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

UK current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. No charge or credit is given for group relief.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the weighted average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Star Energy (East Midlands) Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (*Continued*)

1 Accounting policies (*Continued*)

Leases

Operating leases and the corresponding rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease

Assets under finance leases are included under tangible fixed assets at their capital value and depreciated over their useful lives. Lease payments consist of capital and finance charge elements, and the finance charge element is charged to the profit and loss account

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Exchange gains or losses on translation are included in the profit and loss account

Impairments

Where there is an indication that the value of an oil and gas field may be impaired, the net amount at which the field is recorded is assessed for recoverability against the discounted future estimated net cash flows expected to be generated from the estimated remaining commercial reserve. This assessment is made on the basis of future oil and gas prices, exchange rates and cost levels as forecast at the balance sheet date. A provision is made, by way of an additional depreciation charge, where the carrying value of the field exceeds the discounted future net cash flows to be derived from its estimated remaining commercial reserves

Decommissioning provision and asset

Licensees have an obligation to restore producing fields to a condition acceptable to the relevant authorities at the end of their commercial lives. Under *FRS 12 Provisions, Contingent Liabilities and Contingent Assets*, the discounted present value of this future cost has been provided for and capitalised within the respective field. The capitalised cost is amortised through the field on a unit of production basis and the increase in the net present value of the future cost (the unwinding of the discount) is included within interest payable and other similar charges

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 against profits represents the contributions payable to the scheme in respect of the accounting year

Managing capital

The primary objective of the company's capital management is to maintain appropriate levels of funding to meet its commitments and to safeguard the entity's ability to continue as a going concern, so that it can support its business and create shareholder value. The company monitors the capital structure and seeks to adjust this as considered appropriate

Star Energy (East Midlands) Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (Continued)

2 Turnover

All turnover is derived from UK based operations

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Oil sales	-	18,458
	-	18,458

3 Employees and Remuneration of directors

There were no employees during the year (2011 nil)

No remuneration has been paid to directors in respect of services to Star Energy (East Midlands) Limited in the current year (2011 - £Nil)

4 Operating profit

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Operating profit is stated after charging/(crediting)		
Auditors' remuneration	-	27
Depletion, depreciation and other amounts written off tangible fixed assets		
Oil and gas assets	-	1,074
Operating lease charges		
Land and buildings	-	148
Other	-	17
Foreign exchange differences	-	27

For the year ended 31 March 2012, the auditors' remuneration fee of £1,000 (2011 - £27,000) was borne by Star Energy Oil and Gas Limited

Star Energy (East Midlands) Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*Continued*)

5 Interest receivable and similar income

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Other interest received	-	560

6 Interest payable and similar charges

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Amounts owing to group undertakings	-	(621)
Unwinding of discount on decommissioning provision	-	(105)
	-	(726)

No interest was capitalised during the year

7 Tax charge on profit/(loss) on ordinary activities

Analysis of tax charge/(credit) in year

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
<i>UK corporation tax charge</i>		
Current charge at tax rate of 50.26% (2011 – 50.26%)	-	5,801
Adjustments in respect of previous periods	-	21
	-	5,822
<i>Deferred tax charge</i>		
Origination/(reversal) of timing differences	-	125
Adjustment in respect of previous periods	-	1,200
	-	1,325
Tax charge/(credit) on profit on ordinary activities	-	7,147

Star Energy (East Midlands) Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (Continued)

7 Tax charge on profit/(loss) on ordinary activities (Continued)

Factors affecting the current tax charge/(credit) for the current year

The tax assessed for the year is lower than the weighted average rate of corporation tax in the UK. The differences are explained below

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Profit/(loss) on ordinary activities before tax	-	11,526
Profit/(loss) on ordinary activities at the weighted average rate of corporation tax in the UK of 50.26% (2011 – 50.26%)	-	(5,793)
Effects of		
Expenses not deductible for tax purposes	-	(42)
Capital allowances in excess of depreciation	-	12
Interest not allowed for supplementary charge	-	(18)
Group relief	-	40
Adjustment in respect of previous years	-	(21)
Total current tax charge (see above)	-	(5,822)

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
Deferred tax liability		
At beginning of the year	-	(4,789)
Profit and loss (expense)/credit for the year	-	(125)
Adjustment in respect of previous periods	-	(1,200)
Transfers	-	6,114
At end of the year	-	-

	Year Ended 31 March 2012 £'000	Year Ended 31 March 2011 £'000
The deferred tax liability is comprised of:		
Accelerated capital allowances	-	-
Abandonment provision	-	-
Decommissioning asset	-	-
	-	-

Star Energy (East Midlands) Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (Continued)

8 Provisions for liabilities

	31 March 2012			31 March 2011		
	Decommissioning	Other	Total	Decommissioning	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At the beginning of year	-	-	-	2,259	4	2,263
Unwinding of the discount	-	-	-	105	-	105
Effect of change in timing	-	-	-	(404)	-	(404)
Provision utilisation	-	-	-	-	(4)	(4)
Addition	-	-	-	-	-	-
Reassessment	-	-	-	(104)	-	(104)
Transfer	-	-	-	(1,856)	-	(1,856)
At the end of the year	-	-	-	-	-	-

Provision was made for the discounted future cost of restoring producing fields to a condition acceptable to the relevant authorities. The decommissioning of the fields was expected to happen in 1 to 31 years.

9 Called up share capital

	2012 Number	2011 Number	2012 £	2011 £
<i>Authorised</i>				
Ordinary shares of £1 each	1	1	1	1
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1	1	1	1

10 Capital and reserves

	Share premium account £'000	Capital reserves £'000	Profit and loss account £'000	Total £'000
At 1 April 2011	-	-	-	-
Retained profit for the period	-	-	-	-
At 31 March 2012	-	-	-	-

Star Energy (East Midlands) Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (Continued)

11 Reconciliation of movements in shareholder's funds

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Retained profit for the financial year	-	4,379
Dividend in specie	-	(11,750)
Net (decrease)/increase in shareholder's funds	-	(7,371)
Opening shareholder's funds	-	7,371
Closing shareholders' funds	-	-

12 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year ended 31 March 2012 represents contributions payable by the company to the fund and amounted to £Nil (2011 - £105,412)

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year

13 Immediate parent company and ultimate parent company

The immediate parent company is Star Energy Oil & Gas Limited, which is incorporated in England and Wales, and the ultimate controlling party is IGas Energy plc

The consolidated financial statements of Star Energy Group Limited are publicly available from the registered office 7 Down Street, London, W1J 7AJ

14 Post balance sheet events

There were no post balance sheet events which materially affect these financial statements