

Registered number: 03999194

Island Gas Operations Limited
Annual Report and Unaudited Financial Statements
for the year ended 31 December 2021

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Island Gas Operations Limited

Company information

Ultimate parent undertaking

IGas Energy plc

Directors

S D Bowler (resigned 15 September 2022)
T Perera Schuetze
F Ward
C Hopkinson (appointed 15 September 2022)

Registered number

03999194

Registered office

Welton Gathering Centre
Barfield Lane Off Wragby Road
Sudbrooke
Lincoln
England
LN2 2QX

Copies of Annual Report and Unaudited Financial Statements

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

Island Gas Operations Limited

**Statement of financial position
At 31 December 2021**

	Note	31 December 2021 £	31 December 2020 £
Current assets			
Debtors	3	14,418	14,418
Current liabilities			
Creditors: amounts falling due within one year	4	(20,295)	(20,295)
Net current liabilities		(5,877)	(5,877)
Net liabilities		(5,877)	(5,877)
Capital and reserves			
Called up share capital	5	2	2
Retained earnings		(5,879)	(5,879)
Total shareholders' deficit		(5,877)	(5,877)

No significant transactions occurred in the current or previous financial year.

The notes on pages 3 to 5 form an integral part of these financial statements.

Audit exemption

For the years ended 31 December 2021 and 31 December 2020, the Company was entitled to an exemption from audit under Section 480 of the Companies Act 2006, relating to dormant 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; and
- The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Basis of preparation

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

The Company has not engaged in any trading activities during the current or previous financial year. Consequently the Company made neither a profit nor a loss and therefore no profit and loss or statement of comprehensive income have been prepared.

The financial statements on pages 2 to 5 were approved by the Board of Directors on 29 September 2022 and were signed on its behalf by:

Frances Ward

F Ward
Director

Notes to the financial statements

For the year ended 31 December 2021

1. General information

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

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

2. Accounting policies

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

2.1. Basis of preparation

The Company is a qualifying entity for the purposes of FRS 101. Note 6 gives details of the Company's immediate and ultimate parent undertaking and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

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

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

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

2.1. Basis of preparation (continued)

Going concern

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

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

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

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

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

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

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

Island Gas Operations Limited

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

3. Debtors

	31 December 2021	31 December 2020
	£	£
Amounts due from Group undertakings	14,418	14,418
Total debtors	14,418	14,418

Payment terms for balances due from Group or affiliate undertakings are as mutually agreed between the companies within the IGas group.

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

4. Creditors: amounts falling due within one year

	31 December 2021	31 December 2020
	£	£
Amounts due to Group undertakings	20,295	20,295
Total creditors falling due within one year	20,295	20,295

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

The carrying value of financial liabilities as stated above is considered to be a reasonable approximation of their fair value.

5. Called up share capital

	Par value /share	Number of shares	2021	2020
			£	£
Issued and fully paid				
1 January and 31 December	£1	2	2	2

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

6. Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking is IGas Energy plc. The Company is consolidated within IGas Energy plc accounts which are publicly available on the ultimate parent undertaking's website at www.igasplc.com.