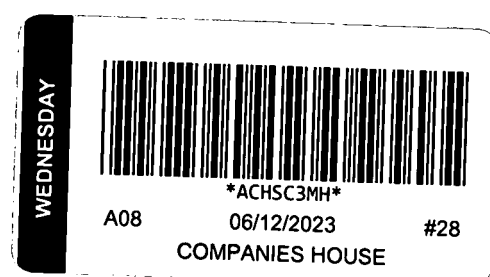


Island Gas Operations Limited

Registered number: 03999194

Island Gas Operations Limited
Annual Report and Unaudited Financial Statements
for the year ended 31 December 2022



Island Gas Operations Limited

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	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

Directors' report

Registered number: 03999194

The Directors present their report and unaudited financial statements of Island Gas Operations Limited (the "Company") 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

The Company has been dormant as defined in section 1169 of the Companies Act 2006, throughout the current and preceding year. It is anticipated that the Company will remain dormant for the foreseeable future.

Basis of preparation

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The Directors have also taken advantage of the small companies' exemptions provided by section 414B of the Companies Act 2006 and have not prepared a strategic 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.

Audit exemption

For the years ended 31 December 2022 and 31 December 2021, 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 of the Companies Act 2006; and
- 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: 03999194

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 year. 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

Island Gas Operations Limited

Statement of financial position
At 31 December 2022

	Note	31 December 2022 £	31 December 2021 £
Current assets			
Debtors	3	14,418	14,418
Current liabilities			
Creditors: amounts falling due within one year	4	(20,295)	(20,295)
Net liabilities		(5,877)	(5,877)
Capital and reserves			
Called up share capital	6	2	2
Accumulated deficit		(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 5 to 8 form an integral part of these financial statements.

Audit exemption

For the years ended 31 December 2022 and 31 December 2021, the Company was entitled to 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 of the Companies Act 2006; and
- The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and for 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 account or statement of comprehensive income have been prepared.

The financial statements on pages 4 to 8 were approved by the Board of Directors on 22 September 2023 and were signed on its behalf by:

Frances Ward

F Ward
Director
22 September 2023

Notes to the financial statements

For the year ended 31 December 2022

1. General information

Island Gas Operations 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 that of a dormant non-trading company within the Star Energy Group. Prior to this, it was engaged in entering into framework power purchase agreements to provide power to major suppliers of electricity and fellow group companies 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

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 7 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.

The financial statements are prepared in accordance with the historical cost convention. The Company's financial statements are presented in Pounds Sterling.

The Company did not trade during the current financial period and there were no changes in equity as a result. Accordingly, no Statement of Changes in Equity is presented.

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 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 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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

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 its reporting period 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

There are no significant areas where critical accounting judgments or key sources of estimation uncertainty have been applied in the compilation of these financial statements.

2.4 Significant accounting policies

(a) 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.

Debtors

Debtors 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.

Creditors

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.

(b) 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.

3. Debtors

	31 December 2022 £	31 December 2021 £
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 Star Energy Group (the "Group"). The carrying value of financial assets as stated above is considered to be a reasonable approximation of their fair value. No provision for doubtful debts or impairment was required thereagainst.

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

4. Creditors: amounts falling due within one year

	31 December 2022 £	31 December 2021 £
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. Staff costs and Directors' remuneration.

The Company had no employees during the current and preceding year.

No Directors serving at the balance sheet date or during the current or previous financial year have been paid any emoluments by the Company as they are employed by either Star Energy Group plc or another member of the Group. The Directors did not provide any material qualifying services to the Company during the current or previous year.

6. Called up share capital

	Par value /share	Number of shares	2022 £	2021 £
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.

7. Ultimate parent undertaking

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