

**Star Energy Weald Basin Limited**  
Report and Financial Statements  
for the year ended 31 December 2018

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## Company information

<b>Ultimate parent undertaking</b>	IGas Energy plc
<b>Directors</b>	J M Blaymires (resigned 30 April 2019) S D Bowler J L Tedder T Perera Schuetze (appointed 30 April 2019)
<b>Registered number</b>	06293763
<b>Registered office</b>	7 Down Street London W1J 7AJ
<b>Independent auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
<b>Bankers</b>	Barclays Bank Plc 1 Churchill Place London E14 5HP

### Copies of Reports and Financial Statements

Further copies of this Report and Financial Statements can be obtained from Star Energy Weald Basin Limited's Registered Office.

## Strategic report

The Directors present their Strategic report for Star Energy Weald Basin Limited (the "Company") for the year ended 31 December 2018.

### Business review and future developments

The principal activity of the Company is to purchase and sell oil on behalf of third parties and fellow subsidiaries of the Group. The Company also sells oil on an agency basis for third parties and operates a processing facility at Hollybourne. There are no planned changes to this activity.

The Company has made a profit before tax of £0.01 million (2017: loss before tax £3.2 million). The main factors driving the movements between the years were as follows:

- Increased revenues of £22.2 million (2017:£18.5 million) due to higher volumes and higher Brent oil prices;
- Increased cost of sales £23.4 million (2017:£19.8 million) due to higher Brent oil prices and increased transport costs; and
- Net foreign exchange gain of £1.3 million (2017: net loss £1.8 million) driven by the impact of the movement in the USD/GBP foreign exchange rate on amounts due to/from other IGas Energy plc ("IGas") undertakings.

### Principal risks and uncertainties

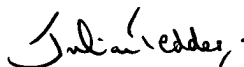
The Company is exposed to planning, environmental, licensing and other permitting risks associated with its operations and that of the IGas Energy plc group (the "Group"). The Company considers that such risks are partially mitigated through compliance with regulations, proactive engagement with regulators and communities and the expertise and experience of its team.

The Company is exposed to liquidity risk. The Group regularly reviews the Company's cash forecasts and the adequacy of available facilities to meet the Company's cash requirements.

The Company is also exposed to a variety of other risks including those related to:

- strategy performance
- capital risk; and
- loss of key staff.

On behalf of the Board



J L Tedder  
Director  
25 September 2019

## Directors' report

Registered number: 06293763

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

### 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 principal activity of the Company is to purchase and sell oil on behalf of third parties and fellow subsidiaries of the Group. The Company also sells oil on an agency basis for third parties and operates a processing facility at Hollybourne. There are no planned changes to this activity.

### Financial instruments

The Company finances its activities with a combination of intercompany loans and cash. Intercompany advances are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade and 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:

- Market risk, including commodity price, foreign currency and interest rate risks;
- Credit risk; and
- Liquidity risk.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as commodity price risk, foreign currency risk and interest rate risk. The Company is exposed to the risk of fluctuations in prevailing market commodity prices (primarily crude oil). Price risk is managed on a consolidated basis for the Group through the use of derivative financial instruments. The Company has currency exposure as some of its loans to and from the IGas Group undertakings are denominated in USD. This exposure is managed at Group level. The Company has limited transactional currency exposure as the majority of its sales and purchases are denominated in USD.

The exposure to credit risk from credit sales is not considered significant given the small number of well-established credit customers and zero historic default rate. The Company trades only with recognised, creditworthy third parties. It is the Company's policy to assess the credit risk of new customers before entering contracts. Under this policy, each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external credit reference agencies checks, when available, and in some cases bank and trade references.

The Company manages liquidity risk by maintaining adequate banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments. External borrowing facilities are managed by the Group.

## **Directors' report (continued)**

**Registered number: 06293763**

### **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 Section 234 of 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 14 December 2011. These provisions remained in force throughout the year and remain in place at the date of this report.

### **Independent auditors**

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors was passed at the Annual General Meeting on 14 May 2019.

On behalf of the Board



J L Tedder  
Director  
25 September 2019

## Directors' report (continued)

Registered number: 06293763

### Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual 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.

#### Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



J L Tedder  
Director  
25 September 2019

# ***Independent auditors' report to the members of Star Energy Weald Basin Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Star Energy Weald Basin Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2018; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## Star Energy Weald Basin Limited

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

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## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibility in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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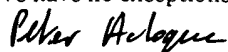
## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Peter Acloque (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
25 September 2019



## Income statement

### For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Revenue	3	22,219	18,470
Cost of sales		(23,386)	(19,783)
<b>Gross loss</b>		<b>(1,167)</b>	<b>(1,313)</b>
Administrative expenses		(40)	(34)
<b>Operating loss</b>	4	<b>(1,207)</b>	<b>(1,347)</b>
Interest receivable and similar income	7	1,304	4
Interest payable and similar expenses	8	(17)	(1,840)
<b>Profit/(loss) before tax</b>		<b>80</b>	<b>(3,183)</b>
Income tax (charge)/credit	9	(80)	160
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>(3,023)</b>

All amounts relate to continuing activities.

## Statement of comprehensive income

### For the year ended 31 December 2018

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Profit/(loss) for the year	-	(3,023)
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>(3,023)</b>

The notes on page 11 to 24 are an integral part of these financial statements.

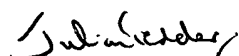
# Statement of financial position

## At 31 December 2018

	Note	31 December 2018 £000	31 December 2017 £000
<b>Non-current assets</b>			
Property, plant and equipment	10	485	1,022
		485	1,022
<b>Current assets</b>			
Inventories	11	373	460
Trade and other receivables	12	69,192	47,756
Cash and cash equivalents		1,154	4,238
		70,719	52,454
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	13	(52,273)	(34,363)
<b>Net current assets</b>		<b>18,446</b>	<b>18,091</b>
<b>Total assets less current liabilities</b>		<b>18,931</b>	<b>19,113</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	9	(83)	(3)
Other provisions	14	(312)	(574)
		(395)	(577)
<b>Net assets</b>		<b>18,536</b>	<b>18,536</b>
<b>Capital and reserves</b>			
Called up share capital	15	5,223	5,223
Revaluation reserve	16	318	492
Accumulated surplus		12,995	12,821
<b>Total equity</b>		<b>18,536</b>	<b>18,536</b>

The notes on page 11 to 24 are an integral part of these financial statements.

The financial statements on page 8 to 24 were approved and authorised for issue by the Board on 25 September 2019 and are signed on its behalf by:



J L Tedder  
Director

# Statement of changes in equity

## For the year ended 31 December 2018

	Called up share capital (note 15) £000	Revaluation reserve (note 16) £000	Accumulated surplus £000	Total equity £000
<b>At 1 January 2017</b>	5,223	663	15,673	21,559
Total comprehensive loss for the year	-	-	(3,023)	(3,023)
Reserves transfer in respect of depreciation on revaluation	-	(171)	171	-
<b>At 31 December 2017</b>	<b>5,223</b>	<b>492</b>	<b>12,821</b>	<b>18,536</b>
Total comprehensive income for the year	-	-	-	-
Reserves transfer in respect of depreciation on revaluation	-	(174)	174	-
<b>At 31 December 2018</b>	<b>5,223</b>	<b>318</b>	<b>12,995</b>	<b>18,536</b>

The notes on page 11 to 24 are an integral part of these financial statements.

# Notes to the financial statements

## For the year ended 31 December 2018

### 1. General information

The financial statements of Star Energy Weald Basin Limited (the "Company") for the year ended 31 December 2018 were approved by the Board and authorised for issue on 25 September 2019.

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

The address of its registered office is: 7 Down Street, London W1J 7AJ.

### 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 19 gives details of the Company's 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 EU-adopted IFRS.

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.

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), 39(c) 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 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- the requirement of paragraph 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors, requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective.

## **2. Accounting policies (continued)**

### **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 condensed interim consolidated financial statements of IGas for the six months ended 30 June 2019, approved on 11 September 2019, 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 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 (based on current forward curves, adjusted for the Group's hedging programme) and the Group's borrowings. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices below the current forward curve and reductions in forecast oil and gas production rates. The Group's base case working capital forecasts show that the Group will have sufficient financial headroom for the 12 months from the date of approval of the financial statements. To manage the impact of the most extreme downside scenarios modelled, management would have to take action, including delaying capital expenditure in order to remain within the Company's debt liquidity covenants. All such mitigating actions are within management's control. Therefore, after making appropriate enquiries and considering the risks described above, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the preparation of the financial statements."*

### **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 2018.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies; however no adjustments were required to the amounts recognised in the financial statements.

The Company has adopted IFRS 15 from 1 January 2018, which resulted in changes in accounting policies; however no adjustments were required to the amounts recognised in the financial statements.

### **2.3 Judgements and key sources of estimation uncertainty**

The preparation of the Company's financial statements in conformity with FRS 101 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 areas 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 each of these and how

## **2. Accounting policies (continued)**

they impact the various accounting policies are described in the relevant notes to the financial statements.

### **Estimates:**

#### **Carrying value of property, plant and equipment**

Management reviews the Company's property, plant and equipment periodically for impairment indicators. The determination of recoverable amounts in any resulting impairment test requires judgement around key assumptions. Key assumptions in the impairment models include those related to prices that are based on forward curves and long-term corporate assumptions thereafter, discount rates, that are risked to reflect conditions specific to individual assets, future costs, both capital and operating that are based on management's estimates having regard to past experience and the known characteristics of the individual assets, reserves and future production, discussed further below. Details of the Company's property, plant, and equipment are disclosed in note 10.

#### **Proved and probable reserves**

The volume of proven and probable oil and gas reserves is an estimate that affects the unit of production depreciation of producing oil and gas property, plant and equipment as well as being a significant estimate affecting decommissioning provisions, impairment calculations and the valuation of oil and gas properties in business combinations. Proved and probable reserves are estimated using standard recognised evaluation techniques. Estimates are reviewed at least annually and are regularly estimated by independent consultants.

Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

#### **Decommissioning costs**

The estimated cost of decommissioning the processing site at the end of its useful life is reviewed periodically and is based on forecast costs levels and technology at the balance sheet date. Provision is made for the estimated cost at the balance sheet date, using a discounted cash flow methodology and a risk free rate of return. Details of the Company's decommissioning provision is disclosed in note 14.

### **Judgement:**

#### **Functional currency**

The determination of functional currency often requires significant judgement where the primary economic environment in which a Company operates may not be clear. The parent entity reconsiders the functional currency of its entities if there is a change in the events and conditions which determines the primary economic environment.

## **2. Accounting policies (continued)**

### **2.4 Significant accounting policies**

#### **(a) Revenue**

Revenue comprises the invoiced value of goods and services supplied by the Company, net of value added tax and trade discounts. Revenue is recognised at a point in time when the control of the goods have passed onto the customer and there is no unfilled performance obligation that could affect the customer's acceptance of the goods. In the case of oil sales, these are recognised when goods are delivered and title has passed to the customer. This generally occurs when the product is physically delivered to the customer's premises or transferred into a vessel, pipe or other delivery mechanism.

Where oil produced by third parties is processed and delivered to a refinery by the Company, the measurement of the revenue depends upon whether physical title to the oil passes to the Company or whether the Company acts as an agent for the third party.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the invoiced value of goods or services rendered exceed the payment, a contract asset will be recognised. If the payments exceed the invoiced value of goods or services rendered, a contract liability will be recognised.

#### **(b) Non-current assets**

##### **Property plant and equipment – interests in oil and gas properties**

Property plant and equipment, interests in oil and gas properties are accounted for as follows:

- Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.
- The cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.
- When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation.
- Expenditure relating to interests in oil and gas properties includes both expenditure which is depleted on a unit of production basis, commencing at the start of commercial production and expenditure which is depreciated on a straight line basis over the relevant asset's estimated useful life. Where expenditure is depreciated on a unit of production basis, the depletion charge is calculated according to the proportion that production bears to the recoverable reserves for each property.
- The Company's interests in oil and gas properties are assessed for indications of impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, in which case impairment is computed on the basis as set out below. Any impairment in value is charged to the Income Statement as additional depreciation.
- Net proceeds from any disposal of development/producing assets are compared to the previously capitalised costs for the relevant asset. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

## **2. Accounting policies (continued)**

### **2.4 Significant accounting policies (continued)**

#### **(b) Non-current assets (continued)**

##### **Property plant and equipment – interests in oil and gas properties (continued)**

###### **Impairment**

Impairment tests, when required as described above, are carried out on the following basis:

- By comparing any amounts carried in the books as compared to the recoverable amount.
- The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The Company generally assesses the value in use using the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
- Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value and the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

###### **Decommissioning**

Where a liability for the removal of processing facilities exists, a provision for decommissioning is recognised. The amount recognised is discounted to its present value and is reflected in the Company's non-current liabilities. A corresponding asset is included in the appropriate category of the Company's property, plant and equipment. The asset is assessed for impairment and depleted in accordance with the Companies policies as set out above.

#### **(c) Financial instruments**

##### **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.

##### **Trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. Details about the Company's impairment policy and the calculation of expected credit loss allowance is provided in the Impairment 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.

##### **Impairment of financial assets**

At the end of each reporting period, a provision is made if there is objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.



## **2. Accounting policies (continued)**

### **2.4. Significant accounting policies (continued)**

#### **Impairment of financial assets (continued)**

##### **Assets carried at amortised cost**

For loans and receivables, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of loss is recognised in the income statement.

If in the subsequent period, the amount of loss decreased and the decrease is related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

##### **Expected credit loss**

From 1 January 2018, the Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of receivables.

#### **(d) Group loans**

Group borrowings are measured initially at fair value. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. When management estimates of the amounts or timings of cash flows are revised, borrowings are re-measured using the revised cash flow estimates under the original effective interest rate with any consequent adjustment being recognised in the Income Statement.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

#### **(e) Inventories**

Inventories, consisting of crude oil, are stated at the lower of cost and net realisable value. Costs comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily inter-changeable items.

#### **(f) Taxation**

The tax expense represents the sum of 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 because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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.

**2. Accounting policies (continued)**

**2.4. Significant accounting policies (continued)**

**(f) Taxation (continued)**

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 liability 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 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. 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 tax laws) that have been enacted or substantively enacted at the reporting date.

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

**(g) 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.

**(h) Foreign currency**

The financial statements are presented in UK Pound Sterling, which is the Company's functional currency. The Company does not have any foreign operations. 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.

**Star Energy Weald Basin Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**3. Revenue**

The Company derives revenue solely within the United Kingdom from the transfer of goods and services to external customers which is recognised at a point in time. The company's major product lines are:

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Oil sales	22,219	18,470
	22,219	18,470

As at 31 December 2018, there are no contract assets or contract liabilities outstanding.

**4. Operating loss**

Operating loss is stated after charging:

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Depletion, depreciation and amortisation (note 10)	265	382
Auditors' remuneration:		
Audit of the financial statements	30	29

**5. Staff costs**

The Company does not have any employees (2017: none). A proportion of the Igas Energy plc group staff costs are charged to the income statement or capitalised as additions to property plant and equipment of the Company through the time writing process. In addition, staff costs of operating personnel are allocated to the cost of sales or capitalised as additions to property plant and equipment as appropriate based on activities carried out.

**6. Directors' remuneration**

No Directors serving at the balance sheet date or during the current year or previous year have been paid any emoluments by the Company as they are employed by either IGas Energy plc or another member of the Group.

No management charge has been made by IGas Energy plc (2017: none). No amounts are charged for Directors' services.

Details of emoluments paid to Directors for services to the IGas Group are detailed in the IGas Energy plc Annual Report and Accounts available on the ultimate parent undertaking's website at [www.igasplc.com](http://www.igasplc.com).

**7. Interest receivable and similar income**

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Bank interest receivable	3	4
Net foreign exchange gain	1,301	-
<b>Interest receivable and similar income</b>	<b>1,304</b>	<b>4</b>

**Star Energy Weald Basin Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**8. Interest payable and similar expenses**

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Unwinding of discount on provisions (note 14)	17	17
Net foreign exchange loss	-	1,823
<b>Interest payable and similar expenses</b>	<b>17</b>	<b>1,840</b>

**9. Income tax charge/(credit)**

**Tax credit on (profit)/loss from ordinary activities**

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
<b>Current tax</b>		
Current income tax for the year	-	-
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(35)	(160)
Tax credit relating to changes in tax rates	(14)	-
Tax charge in relation to prior year	129	-
<b>Income tax charge/(credit)</b>	<b>80</b>	<b>(160)</b>

**Factors affecting the tax credit**

A reconciliation of the UK statutory corporation tax rate applicable to the Company's profit/(loss) before taxation to the Company's total tax credit is as follows:

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Profit/(loss) before taxation	80	(3,183)
Expected tax charge/(credit) based on profit/(loss) before tax multiplied by the combined average rate of corporation tax in the UK of 19% (2017: 19.25%)	15	(613)
Prior year deferred tax charge	129	-
Expenses not allowable for tax purposes	12	36
Group relief	(67)	415
Tax rate change	(9)	-
Losses/profits taxed or relieved at different tax rates	-	2
<b>Income tax charge/(credit)</b>	<b>80</b>	<b>(160)</b>

**Star Energy Weald Basin Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**9. Income tax charge/(credit) (continued)**

**Factors affecting the tax charge/(credit) (continued)**

The corporation tax main rate of 19% has been reflected in the calculation of the deferred tax balances resulting in a charge/(credit) as shown above.

The Company does not have any balances for which no deferred tax has been recognised.

**Deferred tax**

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

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Opening liability at beginning of year	3	163
Tax charge relating to prior year	129	-
Tax credit during the year recognised in the income statement	(35)	(160)
Tax credit relating to changes in tax rates	(14)	-
<b>Deferred tax liability</b>	<b>83</b>	<b>3</b>

	31 December 2018 £000	31 December 2017 £000
Accelerated capital allowances	83	133
Tax losses carried forward	-	(130)
<b>Deferred tax liability</b>	<b>83</b>	<b>3</b>

Star Energy Weald Basin Limited  
Notes to the financial statements (continued)  
For the year ended 31 December 2018

10. Property, plant and equipment

	2018			2017		
	Land & Buildings £000	Oil & Gas properties £000	Total £000	Land & Buildings £000	Oil & Gas properties £000	Total £000
<b>Cost</b>						
At 1 January	114	2,459	2,573	59	1,998	2,057
Additions	-	7	7	55	461	516
Changes in decommissioning	-	(279)	(279)	-	-	-
<b>At 31 December</b>	<b>114</b>	<b>2,187</b>	<b>2,301</b>	<b>114</b>	<b>2,459</b>	<b>2,573</b>
<b>Accumulated depreciation</b>						
At 1 January	14	1,537	1,551	7	1,162	1,169
Charge for the year	15	250	265	7	375	382
<b>At 31 December</b>	<b>29</b>	<b>1,787</b>	<b>1,816</b>	<b>14</b>	<b>1,537</b>	<b>1,551</b>
<b>Net book value</b>						
<b>At 31 December</b>	<b>85</b>	<b>400</b>	<b>485</b>	<b>100</b>	<b>922</b>	<b>1,022</b>

Under the terms of the secured bond agreement executed by the Company's ultimate parent, the secured bondholders of the ultimate parent undertaking have a fixed and floating charge over these assets.

**Star Energy Weald Basin Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**10. Property, plant and equipment (continued)**

**Impairment of oil and gas properties**

The Group's oil and gas properties were reviewed for impairment as at 31 December 2018. A cash generating unit for impairment purposes is the legal entity. The impairment assessment was prepared on a value-in-use basis and using discounted future cash flows. The future cash flows were estimated using price assumption for Brent of \$60/bbl for years 2019-2022 and \$75/bbl thereafter, and a USD/GBP foreign exchange rate of \$1.30/£1.00. Cash flows were discounted using a pre-tax discount rate of 11%.

No impairment was required in the year to 31 December 2018 (2017: £nil).

**11. Inventories**

	<b>31 December 2018 £000</b>	<b>31 December 2017 £000</b>
Oil stock	373	460
<b>Total inventories</b>	<b>373</b>	<b>460</b>

The difference between purchase price or production cost of stocks and their replacement cost is not material therefore no provision for impairment has been made (2017: £nil).

**12. Trade and other receivables**

	<b>31 December 2018 £000</b>	<b>31 December 2017 £000</b>
Trade receivables	1,157	1,436
Amounts due from Group undertakings	67,982	46,266
Other receivables and prepayments	53	54
<b>Total trade and other receivables</b>	<b>69,192</b>	<b>47,756</b>

Payment terms for balances due from Group undertakings are as mutually agreed between the companies within the Group. The counterparty is a member of the IGas Group of companies. The Company does not intend to call on the loan with the counterparty within 12 months from the date of the approval of these financial statements.

The carrying value of each of the Company's financial assets as stated above is considered to be a reasonable approximation of its fair value. No provision for doubtful debts or provision for impairment is required (2017: £nil).

Star Energy Weald Basin Limited  
Notes to the financial statements (continued)  
For the year ended 31 December 2018

**13. Creditors: amounts falling due within one year**

	31 December 2018 £000	31 December 2017 £000
Trade payables	160	-
Amounts owed to Group undertakings	51,774	33,692
Accruals and deferred income	339	671
<b>Total creditors falling due within one year</b>	<b>52,273</b>	<b>34,363</b>

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

The carrying value of each of the Company's financial liabilities as stated above is considered to be a reasonable approximation of its fair value.

**14. Other provisions**

<b>Decommissioning</b>	31 December 2018 £000	31 December 2017 £000
At 1 January	574	-
Re-assessment of provision (note 10)	(279)	557
Unwinding of discount (note 8)	17	17
<b>At 31 December</b>	<b>312</b>	<b>574</b>

Provision has been made for the discounted future cost of restoring the processing site to a condition acceptable to the relevant authorities. The abandonment is expected to take place in around 11 years from the year end (2017: 12 years). The provision is based on the Company's internal estimates as at 31 December 2018. Assumptions are based on the current economic environment which management believe is a reasonable basis upon which to estimate the future liability. The estimates are reviewed regularly to take into account any material changes to the assumptions.

Actual decommissioning costs will ultimately depend upon future costs for decommissioning which will reflect market conditions and regulations at that time. Furthermore, the timing of decommissioning is uncertain.

The risk free rate of 2.76% is used in the calculation of the provision as at 31 December 2018 (31 December 2017: 2.94%).



**Star Energy Weald Basin Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**15. Called up share capital**

	Par, value / share	2018 shares	2017 shares	2018 £000	2017 £000
<b>Authorised, issued and fully paid</b>					
1 January	£0.10	52,232,050	52,232,050	5,223	5,223
<b>31 December</b>	<b>£0.10</b>	<b>52,232,050</b>	<b>52,232,050</b>	<b>5,223</b>	<b>5,223</b>

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.

**16. Revaluation reserve**

The revaluation reserve of the Company arose from the use of the 'fair value as deemed cost' exemption for certain property, plant and equipment (PP&E) on the Company's transition to FRS 101. Depreciation on the entire value of PP&E is charged to the income statement. On an annual basis, the amount of depreciation on that PP&E which relates to the revaluation surplus, net of tax, is transferred from accumulated surplus to the revaluation reserve, reducing the balance of the reserve. Deferred tax charged against the revaluation surplus amounted to £39,000 (2017: £43,000).

**17. Commitments**

The Company's capital commitments amount to £nil (2017: £nil).

**18. Subsequent events**

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

**19. Ultimate parent undertaking**

The Company's immediate and ultimate parent undertaking is IGas Energy plc which is the only undertaking to consolidate these financial statements. The Company is included within the consolidated financial statements which are publicly available on the ultimate parent undertaking's website at [www.igasplc.com](http://www.igasplc.com).