Registered number: 06293763

Star Energy Weald Basin Limited
Annual Report and Unaudited Financial Statements
for the year ended 31 December 2022

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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	06293763
Registered office	Welton Gathering Centre Barfield Lane Off Wragby Road Sudbrooke Lincoln England LN2 2QX
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP

Copies of Annual Report and Unaudited Financial Statements

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

Star Energy Weald Basin Limited

Strategic report

Registered number: 06293763

The Directors present their Strategic report for Star Energy Weald Basin Limited (the "Company") for the year ended 31 December 2022.

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 Star Energy Group (the "Group"). The Company sells oil on an agency basis for third parties.

The Company has made a profit before tax of £6.0 million (2021: £0.2 million). The main factors driving the movements between the years were as follows:

- Increased revenues of £26.3 million (2021: £15.9 million) due to higher Brent oil prices, with an average realised price of $80.2/bbl (2021: $50.1/bbl). Barrels sold also saw a slight increase, with total sales of 328,185 bbls (2021: 317,627), including oil sold on behalf of third parties;

- Increased cost of sales £25.9 million (2021: £15.8 million) due to higher Brent oil prices;

- Other income of £0.2 million (2021: £nil), relating to gas storage capacity; and

- Net foreign exchange gain of £5.4 million (2021: net gain £0.2 million) driven by the impact of the movement in the USD/GBP foreign exchange rate on amounts due to/from other Group undertakings.

Net assets were £22.4 million at 31 December 2022 (31 December 2021: £16.6 million), with the increase in net assets being substantially driven by the profit in the period.

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

Principal risks and uncertainties

The Company is exposed to planning, environmental, licensing and other permitting risks associated with its operations and that of 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 also exposed to liquidity risk. Star Energy Group plc ("Star Energy") manages the Company's liquidity risk by maintaining adequate banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments.

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

Francis Ward

F Ward
Director
22 September 2023

Directors' report

Registered number: 06293763

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

Directors of the Company

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 1.

Dividends

The Directors do not recommend the payment of a dividend.

Principal activities and future developments

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 sells oil on an agency basis for third parties.

The Directors do not foresee any change in the Company's activities in the immediate future.

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 and foreign currency 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 also has currency exposure as some of its loans to and from the Group undertakings are denominated in USD. During the year, the Company has decided to redenominate such loans to its functional currency (GBP) in order to mitigate the foreign currency risk. 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 into 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.

Star Energy manages the Company's liquidity risk by maintaining adequate banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and future capital and operating commitments.

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 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 year ended 31 December 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006; 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: 06293763

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Frances Ward

F Ward
Director
22 September 2023

Star Energy Weald Basin Limited

Income statement
For the year ended 31 December 2022

	Note	**Year ended 31 December 2022 £000**	Year ended 31 December 2021 £000
Revenue	3	**26,328**	15,902
Cost of sales		**(25,863)**	(15,823)
Gross profit		**465**	79
Administrative expenses		**(58)**	(84)
Other income		**159**	-
Operating profit/(loss)	4	**566**	(5)
Finance income	7	**5,397**	233
Finance costs	8	**(8)**	(8)
Profit before tax		**5,955**	220
Income tax charge	9	**(168)**	(70)
Profit for the year		**5,787**	150

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

Statement of comprehensive income
For the year ended 31 December 2022

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Profit for the year	**5,787**	150
Total comprehensive income for the year	**5,787**	150

The notes on pages 9 to 20 are an integral part of these financial statements.

Star Energy Weald Basin Limited

Statement of financial position
At 31 December 2022

	Note	**31 December 2022 £000**	31 December 2021 £000 Restated
Non-current assets			
Property, plant and equipment	**10**	**1,109**	455
Trade and other receivables	**12**	**18,729**	13,453
		19,838	13,908
Current assets			
Inventories	**11**	**334**	230
Trade and other receivables	**12**	**115,958**	81,156
Cash and cash equivalents		**1,325**	1,656
		117,617	83,042
Total assets		**137,455**	96,950
Current liabilities			
Creditors: amounts falling due within one year	**13**	**(114,425)**	(79,872)
		(114,425)	(79,872)
Non-current liabilities			
Deferred tax liabilities	**9**	**(285)**	(117)
Other provisions	**14**	**(364)**	(367)
		(649)	(484)
Total liabilities		**(115,074)**	(80,356)
Net assets		**22,381**	16,594
Capital and reserves			
Called up share capital	**15**	**5,223**	5,223
Accumulated surplus		**17,158**	11,371
Total equity		**22,381**	16,594

The notes on pages 9 to 20 are an integral part of these financial statements.

Audit exemption
For the year ended 31 December 2022, the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on page 6 to 20 were approved and authorised for issue by the Board on 22 September 2023 and are signed on its behalf by:

Frances Ward

F Ward
Director
22 September 2023

Star Energy Weald Basin Limited

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

	Called up share capital (note 15) £000	Accumulated surplus £000	Total equity £000
At 1 January 2021	5,223	11,221	16,444
Total comprehensive income for the year	-	150	150
At 31 December 2021	5,223	11,371	16,594
Total comprehensive income for the year	-	**5,787**	**5,787**
At 31 December 2022	**5,223**	**17,158**	**22,381**

The notes on pages 9 to 20 are an integral part of these financial statements.

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

1. General information

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

The principal activity of the Company is to purchase and sell oil on behalf of third parties and fellow subsidiaries of the Group. The Company sells oil on an agency basis for third parties.

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 18 gives details of the Company's parent undertaking and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The financial statements are prepared in accordance with the historical cost convention.

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

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 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, 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 their 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

The preparation of financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. In particular, the Company has identified the following 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 they impact the various accounting policies are described in the relevant notes to the financial statements.

Estimate:

Estimation of expected credit losses on financial assets
The Company applies the IFRS 9 expected credit loss approach, assessing lifetime expected credit loss allowance for trade and other receivables where the simplified approach can be adopted, and assessing a 12-month expected credit loss allowance for intercompany loans where the credit risk has not increased significantly since initial recognition. The Company recognises lifetime expected credit loss on intercompany loans where there has been a significant increase in credit risk since initial recognition. The term and nature of these loans and receivables and the net asset position of the borrowing entity is considered when performing the expected credit loss calculation.

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 price 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. Whilst the Company's revenue is denominated in USD, the Company has determined UK pound sterling to be its functional currency given the Company's operations are carried out entirely in the UK.

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 has 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

Property plant and equipment are accounted for as follows:

- Oil and gas assets 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, 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 cost of oil and gas asset also includes an amount equal to the decommissioning cost estimate.
- Oil and gas assets are depreciated on a straight line basis over the relevant asset's estimated useful life.
- The Company's interests in oil and gas assets 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.

Impairment

Impairment tests are carried out on the following basis:

- By comparing the sum of any amounts carried in the books as compared to the recoverable amount.
- The recoverable amount of oil and gas assets is the higher of an asset's fair value less costs of disposal and its value in use. The Company generally assesses the fair value less costs of disposal using the estimated future cash flows which are discounted to their present value using a post-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. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(b) Non-current assets (continued)

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 unless the decommissioning activity is expected to be undertaken in the next 12 months in which case it is reflected as a current liability. 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 Company's policies as set out above.

(c) Financial instruments

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

Cash and cash equivalents

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

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. These are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Details about the Company's impairment policy and the calculation of expected credit loss allowance is provided in the Impairment of financial assets accounting policy below.

Trade and other payables

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

Impairment of financial assets

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

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

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

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

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

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

(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 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 charge/credit includes current tax and deferred tax.

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Taxable profit/(loss) differs from the profit/(loss) before taxation as reported in the Income Statement as it excludes items of income or expense that are taxable or deductible in different periods and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates and laws that have been enacted or substantively enacted at the reporting date.

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

(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. Transactions denominated in currencies other than functional currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement.

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

3. Revenue

The Company derives revenue solely within the United Kingdom from the transfer of control over goods and services to external customers which is recognised at a point in time when the performance obligation has been satisfied by the transfer of goods. The Company's major product lines are:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Oil sales	**26,328**	15,902

As at 31 December 2022, there are no contract assets or contract liabilities outstanding (2021: £nil).

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Depletion, depreciation and amortisation (note 10)	**35**	38

5. Staff costs

The Company does not have any employees (2021: none). A proportion of the Star Energy Group staff costs are charged to the income statement or capitalised as additions to property plant and equipment of the Group's subsidiaries through the time writing or cost allocation process 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 Star Energy Group plc or another member of the Group.

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

Details of emoluments paid to Directors for services to the Star Energy Group are detailed in either the Star Energy Group plc Annual Report and Accounts available on the ultimate parent undertaking's website at www.starenergygroupplc.com, or within the Star Energy Limited financial statements, which are available at the registered office of that company.

7. Finance income

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Bank interest receivable	**2**	1
Net foreign exchange gain	**5,395**	232
Total finance income	**5,397**	233

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

8. Finance costs

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Unwinding of discount on provisions (note 14)	**(8)**	(8)
Total finance costs	**(8)**	(8)

9. Income tax charge

Tax charge on profit from ordinary activities

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Current tax		
Current income tax for the year	**-**	-
Deferred tax		
Origination and reversal of temporary differences	**(168)**	(55)
Tax charge relating to changes in tax rates	**-**	(15)
Income tax charge	**(168)**	(70)

Factors affecting the tax charge

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

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Profit before taxation	**5,955**	220
Expected tax charge based on profit before tax multiplied by the rate of corporation tax in the UK of 19% (2021: 19%)	**(1,132)**	(42)
Expenses not allowable for tax purposes	**28**	(4)
Group relief	**976**	4
Impact of profits or losses relieved at different tax rates	**(40)**	(13)
Tax rate change	**-**	(15)
Income tax charge	**(168)**	(70)

Star Energy Weald Basin Limited

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

9. Income tax charge (continued)

Deferred tax

The movement on the deferred tax liability is shown below:

	2022 £000	2021 £000
Opening liability at 1 January	**(117)**	(47)
Tax charge during the year recognised in the income statement	**(168)**	(55)
Tax charge arising due to changes in tax rates	**-**	(15)
Deferred tax liability at 31 December	**(285)**	(117)

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

	31 December 2022 £000	31 December 2021 £000
Accelerated capital allowances	**(285)**	(117)
Deferred tax liability	**(285)**	(117)

10. Property, plant and equipment

	2022			2021		
	Land & buildings £000	**Oil & gas assets £000**	**Total £000**	Land & buildings £000	Oil & gas assets £000	Total £000
Cost						
At 1 January	**114**	**2,607**	**2,721**	114	2,343	2,457
Additions	**-**	**700**	**700**	-	246	246
Changes in decommissioning	**-**	**(11)**	**(11)**	-	18	18
At 31 December	**114**	**3,296**	**3,410**	114	2,607	2,721
Accumulated depreciation						
At 1 January	**67**	**2,199**	**2,266**	56	2,172	2,228
Charge for the year	**7**	**28**	**35**	11	27	38
At 31 December	**74**	**2,227**	**2,301**	67	2,199	2,266
Net book value						
At 31 December	**40**	**1,069**	**1,109**	47	408	455

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

10. Property, plant and equipment (continued)

Impairment of oil and gas assets

Year ended 31 December 2022

Cash Generating Units (CGUs) for impairment purposes are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has identified one CGU, being the full legal entity. At each balance sheet date, the Company assesses its CGU for impairment whenever events or changes in circumstances indicate that the carrying amount of the CGU may not be recoverable. If any such indication exists, the Company makes an estimate of the CGU's recoverable amount.

At the reporting date, management performed an impairment indicator analysis. Whilst certain factors such as an improved oil and gas price environment and favourable foreign exchange rates indicated possibility of an improvement in the CGU recoverable amount, other factors like the increase in interest rates in the period was noted as a potential impairment indicator. As a result, management decided to carry out a detailed impairment assessment as at 31 December 2022.

The impairment assessment was prepared on a fair value less costs of disposal basis using a discounted future cash flow model. The future cash flows were estimated using price assumption for Brent of $70-$80/bbl for the years 2023-2027 and $65/bbl thereafter, and a USD/GBP foreign exchange rate range of $1.22:£1.00 to $1.30:£1.00. Cash flows were discounted using a post-tax discount rate of 10.5%.

The impairment assessment resulted in recoverable amount greater than the carrying amount of the CGU by £0.2 million (recoverable amount being £1.3 million). We have therefore not recorded any impairment charge in the period.

The fair value is a level 3 fair value measurement valuation technique which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Year ended 31 December 2021

The Company reviewed the carrying value of oil and gas assets as at 31 December 2021 and assessed it for impairment indicators. Management concluded that there were no impairment indicators at that date as a result of an improving economic outlook and a significantly improved oil price environment.

11. Inventories

	31 December 2022 £000	31 December 2021 £000
Oil stock	**334**	230

12. Trade and other receivables

	31 December 2022 £000	31 December 2021 £000 Restated
Trade receivables	**2,004**	1,543
Amounts due from Group undertakings	**132,601**	93,029
Prepayments	**23**	23
Other receivables	**59**	14
Total trade and other receivables	**134,687**	94,609
Current	**115,958**	81,156
Non-current	**18,729**	13,453

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

A portion of the amount due from Group undertakings has been classified as non-current where the Directors do not expect to realise the asset within twelve months of the end of the reporting period, and the prior period comparatives have also been restated in line with the requirements of IAS 1. The prior period restatement has resulted in a decrease to the current assets by £13,453 thousand and an increase in non-current assets by an equivalent amount. There was however no impact on the total assets or net assets of the Company.

13. Creditors: amounts falling due within one year

	31 December 2022 £000	31 December 2021 £000
Amounts owed to Group undertakings	**(113,872)**	(79,576)
Accruals and deferred income	**(553)**	(296)
Total creditors falling due within one year	**(114,425)**	(79,872)

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

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

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

14. Other provisions

Decommissioning	**2022 £000**	2021 £000
At 1 January	**367**	341
Re-assessment of provision (note 10)	**(11)**	18
Unwinding of discount (note 8)	**8**	8
At 31 December	**364**	367

Provision has been made for the discounted future cost of restoring the processing site to a condition acceptable to the relevant authorities. The provision is based on the Company's internal estimates as at 31 December 2022. Assumptions are based on experience from decommissioning wells of the wider Star Energy Group which management believes 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 Company applies an inflation adjustment to the current cost estimates and discounts the resulting cash flows using a risk free discount rate. The provision estimate reflects a higher inflation percentage in the near term for the period 2022 – 2024 and thereafter incorporates the long-term UK target inflation rate for the period 2025 and beyond. A risk free rate of 4.1% is used in the calculation of the provision as at 31 December 2022 (31 December 2021: 1.78%). The increase in the risk free discount rate during the year is mainly due to the increase in the yield on UK Government bond for periods comparable to the life of the provision.

15. Called up share capital

	Par value / share	**2022 shares**	2021 shares	**2022 £000**	2021 £000
Authorised, issued and fully paid					
1 January	£0.10	**52,232,050**	52,232,050	**5,223**	5,223
31 December	£0.10	**52,232,050**	52,232,050	**5,223**	5,223

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. Commitments

The Company's capital commitments amount to £76,776 (2021: £12,345).

17. Subsequent events

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

18. Ultimate parent undertaking

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