Seven Star Natural Gas Limited

Unaudited annual report and financial statements
Registered number 05330862
Year ended 31 March 2023

Contents

Directors' report

The directors (the "Directors") present their report and the financial statements for Seven Star Natural Gas Limited (the "Company") for the year ended 31 March 2023.

The Company is a member of the Infinis Group which is headed by Infinis Energy Group Holdings Limited, the head of the largest group for which consolidated financial statements are prepared. The consolidated financial statements of Infinis Energy Group Holdings Limited are available on the website www.infinis.com or may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

The Company has adopted the exemptions available in Sections 414(B) and 416(3) of the Companies Act 2006 with regard to the Small Companies Regime. Accordingly, the Company has elected not to prepare a strategic report.

Share capital

The Company is limited by shares.

Principal activities

The principal activity of the Company was the exploration of natural gas reserves. The Company did not trade in the current year or prior year.

Future developments

No change in activities is anticipated in the future.

Dividends

The Directors do not recommend the payment of a dividend (2022: nil).

Directors

The Directors of the Company during the year and up to the date of signing the financial statements were as follows:

S S Pickering
J H Milne
K A Reid

Section 172 (s172) of the Companies Act

Disclosures relating to s172 of the Companies Act require the Directors to identify the issues, factors and stakeholders they consider relevant to comply with their duty to have regard to stakeholders.

The Directors consider the effect of s172 in all of their decisions and the impact on any of the specified groups. The Directors consider the interests of all stakeholders, including the impact of the Company's activities on the community, environment and Company's reputation, when making decisions. The Directors, acting fairly between members, and acting in good faith, consider what is most likely to promote the success of the Company for its shareholders in the long-term.

The Company follows the s172 processes and policies of the Infinis Group. Further information in relation to the specific considerations of the Directors, including the Company's approach to sustainability, is set out in the Annual report and financial statements 2023 of Infinis Energy Group Holdings Limited, and are available on the website www.infinis.com or from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

Directors' report (continued)

Directors' indemnity and insurance

At the time of approval of the Directors' report and during the financial year an associated company has agreed to indemnify past and present Directors, in accordance with and subject to the terms set out in the Corporate Governance Policy for the group headed by Infinis Energy Group Holdings Limited, against liability and all expenses reasonably incurred or paid by them in connection with any claim, action, suit or proceeding in which they become involved in the performance of their duties as a director and against amounts paid or incurred by them. These are qualifying third party indemnity provisions for the purposes of Section 234 of the Companies Act 2006 and are in place at the date of approval of the Directors' report.

An associated company has also arranged directors' and officers' liability insurance.

Going Concern

The financial statements have been prepared on the going concern basis. The Company made a profit of £354,000 during the year (2022: made a profit of £63,000), it has net current liabilities of £349,000 (excluding amounts receivable from and payable to group undertakings - net current assets £131,000 (2022: net current assets £261,000 - excluding amounts receivable from and payable to group undertakings net current assets £170,000). In 2023 and 2022 the Company made a profit due to a reduction in the cost of decommissioning activity completed versus the provision for decommisioning cost carried.

The Company is not trading. Its principal liability relates to restoration provisions totalling £480,000 (2022: £1,444,000).

For the year ended 31 March 2023, the Company was entitled to exemption from audit under section 479(A) of the Companies Act 2006 (the "Companies Act"). In doing so, pursuant to section 479C of the Companies Act, a parent guarantee is provided by Infinis Energy Management Limited dated 15 December 2023.

Further to the above, the Directors have reviewed the Company's current financial position and cash flow projections for the next 12 months from the date of approval of these financial statements. A series of more pessimistic trading scenarios, that were deemed severe but plausible, were also reviewed. These included consideration of pricing and volume reductions, as well as construction and energisation delays. The Directors have a reasonable expectation that the Company has the adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing the financial statements.

For the year ended 31 March 2023, the Company was entitled to exemption from audit under section 479(A) of the Companies Act 2006 (the "Companies Act"). In doing so, pursuant to section 479C of the Companies Act, a parent guarantee is provided by Infinis Energy Management Limited dated 15 December 2023.

Financial Risk Management

The Company finances its operations through cash generated from operations and cash resources. Where additional investment is required this is provided short term by intercompany trading accounts and longer term through intercompany loans.

Credit Risk

Credit risk arises from cash and cash equivalents deposited with banks and financial institutions. The Company deposits its surplus funds only with banks and financial institutions with a high credit rating. The maximum credit risk exposure relating to financial assets is represented by the carrying value at the date of the statement of financial position.

Directors' report (continued)

Principal risks and uncertainties

The Company adheres to the risk management policy of the Infinis Group which is headed by Infinis Energy Group Holdings Limited, details of which are set out in the consolidated annual report and financial statements of that company.

The Infinis Group's approach to risk management is continuous, collaborative and designed to eliminate or manage the risk of failure to achieve the Infinis Group's objectives. The Group Board exercises oversight of the risk management process at Board and Audit Committee meetings.

The Infinis Group has a well-established risk management process that is embedded in management processes, responsibilities and culture. It is proactive and designed to instil the principles of the risk management policy at functional level through a process of self-assessment and certification.

The Infinis Group's risk management process, and the principal risks and uncertainties as at the date of this report are largely consistent with those set out in the Annual report and accounts for the year ended 31 March 2023 of Infinis Energy Group Holdings Limited.

Directors' report (continued)

Directors' responsibility statement in respect of the annual report and the financial statements

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

For the year ended 31 March 2023, the Company was entitled to exemption from audit under section 479(A) of the Companies Act 2006 (the "Companies Act"). 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.

Company law requires the Directors to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. 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 IFRSs as adopted by the United Kingdom have been followed for the Company financial statements, 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 a 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 and the directors' report comply with the Companies Act 2006.

On behalf of the board

K A Reid
Director
15 December 2023

Registered Office; First Floor,
500 Pavilion Drive,
Northampton Business Park, Northampton, NN4 7YJ

Income statement

for the year ended 31 March 2023

	Note	**2023**	2022
		£'000	£'000
Cost of sales		**461**	59
Gross profit		**461**	59
Operating profit	4	**461**	59
Finance costs	6	**(7)**	(6)
Profit before income tax		**454**	53
Income tax (expense)/credit	7	**(100)**	10
Profit for the financial year		**354**	63

The Company has no other comprehensive income or expense items and therefore total comprehensive income for the year is £354,000 (2022: income £63,000).

The notes on pages 9 to 18 are an integral part of these financial statements.

Balance sheet

as at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Property, plant and equipment	8	**-**	-
Current assets			
Trade and other receivables	9	**134**	266
Cash and cash equivalents		**91**	1
		225	267
Creditors: amounts falling due within one year	10	**(574)**	(6)
Net current (liabilities)/assets		**(349)**	261
Total assets less current liabilities		**(349)**	261
Provisions for liabilities			
Provisions	11	**(480)**	(1,444)
Net liabilities		**(829)**	(1,183)
Equity			
Called up share capital	13	**-**	-
Other reserves		**1,067**	1,067
Profit and loss account		**(1,896)**	(2,250)
Total shareholders' deficit		**(829)**	(1,183)

For the year ending 31 March 2023, the Company was entitled to exemption from audit under section 479(A) of the Companies Act 2006 (the "Companies Act").

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.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act with respect to accounting records and the preparation of accounts.

The notes on pages 9 to 18 are an integral part of these financial statements.

The financial statements on pages 6 to 18 were authorised for issue by the Board of Directors on 15 December 2023 and were signed on its behalf by:

K A Reid

Director
Company registration no. 05330862

Statement of changes in equity

for the year ended 31 March 2023

	Called up share capital £'000	Other reserves £'000	Profit and loss account £'000	**Total shareholders' funds £'000**
Balance at 1 April 2021	-	1,067	(2,313)	**(1,246)**
Total comprehensive income for the year				
Profit for the financial year	-	-	63	**63**
Balance at 31 March 2022	-	1,067	(2,250)	**(1,183)**
Total comprehensive income for the year				
Profit for the financial year	-	-	354	**354**
Balance at 31 March 2023	**-**	**1,067**	**(1,896)**	**(829)**

Notes *(forming part of the financial statements)*

1 General information

Seven Star Natural Gas Limited (the "Company") is a private limited company incorporated, domiciled and registered in England, in the UK. The registered number is 05330862 and the registered address is First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

The Company's principal activity is set out in the Directors' report.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 require the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The principal accounting policies set out below have been applied consistently throughout the current and prior financial years. The financial statements are prepared on the historical cost basis except for certain financial instruments which are stated at their fair value.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- Disclosures for IFRS 7 "Financial Instruments: Disclosures";
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures in respect of related party transactions entered into between two or more members of a group.
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Notes *(forming part of the financial statements)*

2 Significant accounting policies (continued)

2.1.1 Going concern

The financial statements have been prepared on the going concern basis, on the basis outlined in the Directors' Report.

2.1.2 New Standards, amendments and IFRS IC interpretations

There are a number of amendments to standards which will be effective in the following year's financial statements, however none of these are expected to have a material impact on the financial reporting of the Company.

2.2 Accounting policies

Finance costs

Finance costs are recognised in the income statement as they accrue, using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

Income Tax

Income tax expense comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to the tax payable or receivable in previous years. It is measured using tax rates enacted or substantively enacted at the year end.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year end.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Notes *(forming part of the financial statements)*

2 Significant accounting policies (continued)

2.2 Accounting policies (continued)

Property, plant and equipment (PP&E)

PP&E is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and attributable borrowing costs during its construction. During the construction phase these assets are held separately with depreciation commencing once the asset is commissioned and ready for use.

Depreciation is charged to the income statement on a straight-line basis, assuming assets have no residual value, over the estimated useful life of the asset.

The cost of replacing an item of PP&E is recognised if it is probable that the future economic benefits will flow to the Company. The carrying amount of the asset replaced is then de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Property, plant and equipment (PP&E) (continued)

Exploration, development and operational assets comprise the costs incurred associated with finding gas reserves, including: acquisition of rights to explore; research costs; topographical, geological and related studies; exploratory drilling; and operational assets related to the development of sites. Operational assets include plant and equipment used in running the operating sites. The cost of decommissioning the sites is included within plant and equipment.

Certain items of plant are subject to overhauls and are depreciated over the period between each overhaul.

Depreciation is charged to the income statement on a straight-line basis, with no residual value, over the estimated useful life of the asset, as follows:

- Exploration, development and operational assets — over the life of gas reserves

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Provisions

Provisions are determined by discounting the future expected cash flows at a pre-tax rate that reflects the time value of money. The unwinding of the discount is recognised as a finance cost.

Provisions for the decommissioning of assets and site restoration are recognised where a legal or contractual obligation exists. An equivalent amount of the provision is captured within property, plant and equipment.

Where the entity has concluded that a contract will be loss making, the estimated impact of the loss is included in full when it is considered probable that the loss will arise.

Impairment

The carrying amounts of the Group's non-current non-financial assets, other than goodwill and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment, based on judgment techniques explained in note 3. Where an indication of impairment exists on such assets, testing for impairment is undertaken. Any impairment loss is expensed immediately to the income statement. Further details regarding impairment testing can be found in note 8.

Investments and other financial assets - impairment

Financial assets are assessed for impairment using the expected credit loss model which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Financial assets measured at amortised cost or fair value to other comprehensive income ('FVOCI') will be subject to the impairment provisions of IFRS 9. The Company applies the simplified model to recognise lifetime expected credit losses for its trade receivables and other receivables by making an accounting policy election.

Notes *(forming part of the financial statements)*

2 Significant accounting policies (continued)

2.2 Accounting policies (continued)

Financial Instruments

Non-derivative financial instruments

The Company's non-derivative financial instruments are set out below. They are recognised initially at fair value, subsequent to initial recognition they are measured as described below:

- Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents may include restricted cash balances, which principally relate to the debt service requirements of certain borrowings undertaken by the Company.
- Trade and other payables are carried at cost. Due to their short-term nature, their carrying value approximates their fair value.

3 Critical accounting estimates and judgments

Key judgments and sources of estimation uncertainty

In the process of applying the Company's accounting policies, management makes judgments and estimates that have a significant impact on the values recognised in the financial statements. Changes in the assumptions underlying these judgments and estimates could result in a significant impact to the financial statements. The most critical of these accounting judgments and estimates are explained below.

Accounting estimates

Provision for decommissioning costs

The Company recognises provisions for decommissioning assets and restoring sites at the end of their expected useful life. These provisions are the discounted estimated costs of the work required at the expected date of decommissioning. Significant judgments and estimates are required about both the costs and the expected dates. The Company's estimates are based on limited actual experience of decommissioning to date.

Impairment

In assessing impairment, judgment is required to establish whether there have been indicators of impairment either internal or external for all amortising and depreciating non–current assets.

Where there is a need to determine the recoverable value of an asset, this requires judgments and assumptions on the expected future cashflows of the company. Where applicable, further details regarding impairment testing and the applied assumptions can be found in the intangibles and property, plant and equipment notes.

Accounting judgments

There are no material judgments in the financial statements.

Notes *(forming part of the financial statements)*

4 Operating profit

	2023	2022
	£'000	£'000
Operating profit is stated after crediting:		
Release of provision for decommissioning	971	59

5 Directors' emoluments and employees

None of the Directors received any remuneration or benefits from the Company during the current year or prior year, nor are they employees of the Company. The Company had no employees during the current year or prior year. All services provided by employees of the Infinis Group were re-charged to the Company.

6 Finance costs

	2023	2022
	£'000	£'000
Provisions: unwinding of discount	7	6

7 Income tax

	2023	2022
	£'000	£'000
Current tax:		
UK corporation tax (charge)/credit in the year	(60)	35
Adjustment in respect of prior years	2	(24)
Total current tax (charge)/credit	(58)	11
Origination and reversal of temporary differences	(51)	(45)
Adjustment in respect of prior years	9	-
Impact of change in tax rate	-	44
Total deferred tax charge	(42)	(1)
Tax (charge)/credit on profit	(100)	10

Notes *(forming part of the financial statements)*

The difference between the income tax for the year and the standard rate of corporation tax in the UK is explained below:

	2023	2022
	£'000	£'000
Profit before income tax	**454**	53
Profit before income tax multiplied by the standard rate of UK corporation tax of 19% (2022: 19%)	**(86)**	(11)
Effects of:		
Current period tax losses for which no deferred tax was recognised	**-**	1
Increase in tax rate on deferred tax balances	**-**	44
Adjustment in respect of prior years	**(11)**	(24)
Other	**(3)**	-
Total tax (charge)/credit	**(100)**	10

8 Property, plant and equipment

	Exploration, development and operational assets
	£'000
Cost	
At 1 April 2022	4,049
At 31 March 2023	**4,049**
Accumulated depreciation	
At 1 April 2022	4,049
At 31 March 2023	**4,049**
Net book value	
At 31 March 2023	**-**
At 31 March 2022	-

Notes *(forming part of the financial statements)*

Impairment

A value in use model is used to determine the recoverable amount of assets subject to impairment testing. The discounted estimated future operating cash flows are compared to the net carrying value of the assets.

Property, plant and equipment are separately tested at an individual asset level when there is an impairment trigger.

In the year ended 31 March 2023 no impairment has been recognised (2022: nil).

9 Trade and other receivables

	2023	2022
	£'000	£'000
Amounts owed by group undertakings	37	91
Deferred tax assets	97	139
Corporation tax recoverable	-	36
	134	266
Due within one year	37	127
Due after more than one year	97	139

Intercompany trading balances within the Infinis Group, which provide short-term working capital funding, are repayable on demand. They bear no interest.

10 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Amounts owed to group undertakings	517	-
Taxation	57	-
Accruals and deferred income	-	6
	574	6

Intercompany trading balances within the Infinis Group, which provide short-term working capital funding, are repayable on demand. They bear no interest.

Notes *(forming part of the financial statements)*

11 Provisions

	Decommissioning provision
	£'000
At 1 April 2021	1,514
Unwinding of discount	6
Other movements	(59)
Provisions used	(17)
At 31 March 2022 and 1 April 2022	1,444
Unwinding of discount	7
Other movements	(449)
Provisions used	(522)
At 31 March 2023	**480**

Decommissioning provisions relate to the restoration of the Company's operating sites. As explained in note 2 Significant accounting policies, provisions are calculated based on the projected value on a site by site basis increased by CPI through to the earlier of the projected end of operational life or 40 years from the balance sheet date. The provision is discounted back to present value at the Balance Sheet date from the indexed projected gross liability using 3.75% (2022:1.50%) which is the rate of a 25-year UK GILT. Timing of resulting outflows of economic benefits vary by site.

12 Deferred tax assets

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	
	2023	2022
	£'000	£'000
Property, plant and equipment	**97**	139

Movement in deferred tax during the current year

	1 April 2022	Recognised in income	**31 March 2023**
	£'000	£'000	**£'000**
Property, plant and equipment	139	(42)	**97**

Notes *(forming part of the financial statements)*

Movement in deferred tax during the prior year

	1 April 2021	Recognised in income	31 March 2022
	£'000	£'000	£'000
Property, plant and equipment	140	(1)	139

A change to the main UK corporation tax rate to 25% from April 2023 was announced in the Budget 2021 on 3 March 2021, was substantively enacted on 24 May 2021. Consequently the Company has accounted for its deferred tax at 25% in the year to 31 March 2022 and 31 March 2023.

Unrecognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	2023	2022
	£'000	£'000
Losses	**97**	97

13 Called up Share Capital

	2023	2022	**2023**	2022
	Number	Number	**£'000**	£'000
Allotted, called up and fully paid				
Ordinary £1 each	**100**	100	**-**	-

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

14 Contingent liabilities

The Company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the VAT group. The Infinis Group VAT liability at 31 March 2023 was nil (2022: £1,390,000).

Notes *(forming part of the financial statements)*

15 Related parties

The Company is a wholly owned subsidiary of the Infinis Group. The head of the Infinis Group, Infinis Energy Group Holdings Limited, has the ability to exercise a controlling influence over the Company and other subsidiary undertakings within the Infinis Group, and consequently the Directors also consider these subsidiary undertakings to be related parties.

3i Infrastructure plc ("3iN"), a company incorporated in Jersey, is the ultimate parent company of Infinis Energy Group Holdings Limited. 3iN therefore has the ability to exercise a controlling influence through its shareholding in each of the wholly owned subsidiaries (the "3iN Holding Companies") through which it owns the entire issued share capital of the Company. The Directors therefore consider 3iN and the entities it controls, including each of the 3iN Holding Companies, to be related parties.

There were no direct transactions between the Company and either 3iN or any of the 3iN Holding Companies during the year (2022: £nil). There were no balances outstanding between the Company and either 3iN or any of the 3iN Holding Companies at the end of the year (2022: £nil).

16 Ultimate parent company and ultimate controlling entity

The Company is a member of the Infinis Group which is headed by Infinis Energy Group Holdings Limited. 3i Green Gas Limited (formerly 3i LFG Topco Limited), a company registered in Jersey, is the immediate parent and sole shareholder of Infinis Energy Group Holdings Limited. The ultimate controlling entity is 3i Infrastructure plc, a company registered in Jersey.

Alkane Energy Limited is the Company's immediate parent company.

The head of the smallest group for which consolidated financial statements are prepared and of which the Company is a member is Infinis Energy Management Limited. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

The head of the largest group for which consolidated financial statements are prepared and of which the Company is a member is Infinis Energy Group Holdings Limited. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary, First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.

17 Events after the end of the reporting period

There were no subsequent events.