

Driving the energy transition

STAR ENERGY GROUP PLC

Annual Report and Accounts 2023



Star Energy

WELCOME

Star Energy Group plc is an onshore energy business.

Our Purpose

is to provide for today's energy needs responsibly, whilst transitioning to low-carbon sources of energy for tomorrow.

Our vision

is to be a leading provider of affordable and sustainable energy in local markets as energy needs evolve.

Our strategy

is to create value for shareholders, employees and communities by being a first class operator of oil and gas assets, whilst actively developing and building a geothermal business of scale, as we transition to a net zero future.

**Visit us online >**

For the latest news and information on our Group and its activities check out [our website](https://www.starenergygroupplc.com) to stay up to date: www.starenergygroupplc.com



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CHAIRMAN'S STATEMENT

Delivering today and adapting for tomorrow



I am delighted to be presenting my first report as Chair of Star Energy Group plc.

Whilst the Company delivered a strong operational performance in 2023, meeting its production and health and safety targets for the year, underlying operating profit was impacted primarily by lower oil prices.

Since the year end we have successfully concluded a refinancing of our existing debt facility to give us the runway to deliver on our transition strategy. Securing this facility is an important milestone for Star Energy. It allows the Company to use cash flows from its existing oil and gas business to optimise near-term conventional production (with quick pay-backs) whilst also allowing it to lay the groundwork to deliver on its transition strategy; developing and monetising the geothermal business in both the UK and Croatia over time.

We believe that we have particular, tangible competitive advantages in making the energy transition. We have a highly qualified team already in place and an established track record in onshore development – everything from sub-surface expertise and knowledge of planning and other environmental processes through to long-term and responsible operatorship competence. These skills are valuable in conventional and geothermal projects alike.

The restructuring and rebranding of the Company which we undertook last year, were important steps in refocusing resource and redefining our strategic direction. Our focus is on the responsible production of oil and gas onshore in the UK and the development of geothermal opportunities that can benefit from our significant expertise as an operator. The Company has a strong technical capability and understanding of sub-surface considerations. We have many years of working with local government and the communities we serve. We have established relationships with the relevant regulatory, political and environmental institutions. This trust is important as all concerned address the new challenges of a more locally distributed energy future. We are well-placed to support energy security, supply and affordability and we already have a significant workforce based in local communities.

In geothermal, we have made good progress in the UK, having been awarded contracts to develop geothermal heating projects with a particular focus on working with the NHS, a major consumer of heat. Even before the invasion of Ukraine, the EU had been interested to expand geothermal energy and this interest has grown significantly. The acquisition of the Ernestinovo geothermal project in Northeastern Croatia, as well as the award of the Pčelić and Sječe geothermal exploration licences in October 2023, will enable us to diversify into geothermal electricity generation in a supportive jurisdiction and rapidly developing market.

The UK Energy Profits Levy (EPL) has a significant impact on post-tax profitability for all UK oil and gas producers, such that the sector now has the highest taxes for any UK industrial sector. The EPL is an unwelcome obligation that we do not believe was ever designed to encumber the minor onshore sector, and in particular, a company which has taken a strategic decision to pivot from its fossil fuel roots to a renewable future as cash flows permit over time. The Company, however, benefits from lower tax rates than most of its peers given its c.£240 million tax losses.

Board Changes

In June 2023, Chris Hopkinson was appointed as Chief Executive Officer (CEO) of the Company having been acting Interim Executive Chairman since September 2022. At the same time, I was appointed as Non-executive Chairman, having been a Non-executive Director of the Company since 2017.

In October 2023, Doug Fleming informed the Board of his intention to step down as a Non-executive Director, as he took up a new full-time executive role. He remained in his Non-executive role until 23 January 2024 and we thank him for his contribution and commitment to the Group.

In December 2023, we welcomed two new Non-executive Directors to the Board, Aneliya Erdly and Anthony White MBE, each bringing new perspectives relevant to an industrial landscape undergoing significant change. Aneliya brings a wealth of expertise in building from scratch and running renewable energy generation businesses in the private sector, as well as in assisting with their energy transition strategies. Tony has over 35 years' experience in international power markets and the policy issues inherent in transitioning to a low carbon economy. He has been involved in almost all aspects of the sector from research through to strategy, finance, international development and policy. This includes industrial roles and as a leading City energy analyst. He has assisted governments in structural reform of the energy sector and is a highly respected figure in the energy industry.

The membership of the Company's Board committees are now as follows:

Audit Committee:

Kate Coppinger (Chair), Anthony White

Remuneration Committee:

Philip Jackson (Chair), Kate Coppinger, Aneliya Erdly

Nomination Committee:

Philip Jackson (Chair), Anthony White

On behalf of the Board, I would like to thank everyone in the business for their commitment and professionalism. It is the combination of a proven track record of strong operational performance, resilience and adaptability that keep the business moving forward.

Outlook

The energy transition is underway, and we are at the forefront of the challenges and opportunities that this evolution brings. However, the approach must be managed wisely as hydrocarbons currently continue to provide the world with some 80% of our daily energy supply. The Company will accordingly continue to optimise its own cash flows from its existing energy portfolio. We will invest in our conventional business to maintain production levels. It is important to recognise the continuing role of fossil fuels in providing for UK energy needs during the transition to a low carbon economy and developing indigenous, locally produced resources is a critical part of the UK's future energy security.

We are confident that the transformation towards geothermal provides a strong foundation and a broad range of opportunities for the continued development of the business and value creation for shareholders in time.

Philip Jackson
Non-executive Chairman

Operational Performance

Net production

2,100 boepd

Net production averaged 2,100 boepd in 2023 (2022: 1,898), with uptime across the portfolio remaining strong over the year.

2P NPV10

\$235m

Reserves and Resources updated CPR values
1P NPV10 at \$143 million (2022: \$144 million);
2P NPV10 at \$235 million (2022: \$215 million).*

Glentworth progress

Planning permission granted for Glentworth Phase 1 oil project – potential to add c.200 bopd.

NHS projects

Awarded two NHS hospital trust geothermal projects in Manchester and Salisbury.

Croatia development

Entry into new geography with strategic acquisition of Croatian geothermal development business and award of two further licences.

Read more >

About our Operations on [pages 6 and 7](#)

+ Oil price assumption of c.\$72/bbl for five years, then inflated at 2-3% p.a. from 2028 to 2050 taken from D&M CPR <https://www.starenergygroupplc.com/investors/reports-publications-presentations/>.

* These are non-IFRS alternative performance measures which are further explained on [page 11](#).

Financial Performance

Revenues

£49.5m

2023	£49.5m
2022	£59.2m

Net assets

£54.9m

2023	£54.9m
2022	£58.3m

Net debt*

£1.6m

2023	£1.6m
2022	£6.1m

Adjusted EBITDA*

£16.1m

2023	£16.1m
2022	£21.1m

Operating cash flow before working capital movements

£15.0m

2023	£15.0m
2022	£19.4m

Loss after tax

£(5.5)m

2023	£(5.5)m
2022	£(11.8)m

Cash and cash equivalents

£3.9m

2023	£3.9m
2022	£3.1m

Underlying operating profit*

£9.1m

2023	£9.1m
2022	£16.1m



OUR STAKEHOLDERS

Understanding our stakeholders

We interact with a range of stakeholders every day. Building strong relationships with them involves listening and working in collaboration. This in turn creates mutually beneficial outcomes, ensuring that we earn and retain our social licence to operate.



Section 172 of the Companies sets out a number of general duties that directors owe to a company. These include a general duty requiring directors to act in a way in which they consider, in good faith, will promote the success of the company for the benefit of shareholders as a whole.

The Board has acted in a way that it considers to be most likely to promote the success of the Company for the benefit of its members as a whole and, in so doing, has regard for the potential impact of the Group's activities on its various stakeholders. In the majority of cases, information and feedback are provided throughout the year to the Directors by the Group's Executive Directors, Executive Committee, senior management and external advisers through a variety of Board reports, presentations and ad hoc correspondence. These reports cover the Group's financial, operational and environmental performance, while Star Energy's advisers provide the Board with relevant insight from their interactions with their respective stakeholders.

Our People

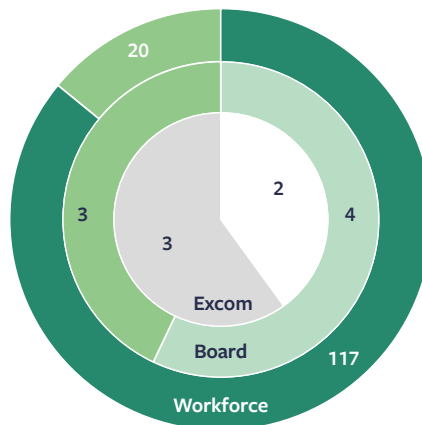
We recognise people are critical to our success and we are committed to ensuring Star Energy remains a great place to work. We have a strong set of values that underpin our way of working and provide a rewarding work environment, with opportunities for growth and learning while contributing to the delivery of our strategy.

At 31 December 2023, we employed a total of 137 staff and work hard to motivate and empower our people in a culture of mutual respect, support and personal responsibility. The talent, experience, diversity, and commitment of our people drive the success of our business. That is why "decent work and economic growth" is one of the United Nation's Sustainable Development Goals adopted by the Company.



Gender Diversity

F M Excom: 2023: 3/5 (60%) (2022: 3/9 (33%))



F M Board: 2023: 3/7 (43%) (2022: 2/5 (40%))

F M Workforce: 2023: 20/137 (15%) (2022: 18/132 (14%))

We are committed to the protection and promotion of human rights, treating all people involved in or affected by, our operations and value chain around the world with dignity and respect at all times.



We ensure that:

- Health, Safety and the Environment are considered paramount throughout the organisation.
- Annual pay and benefit reviews are carried out to determine whether all levels of employees are benefiting fairly and to retain and encourage skills vital for the business.
- Annual performance reviews are conducted.
- There is competitive pay and employee benefits.
- There is ongoing necessary training, development and career prospects available.
- There are freely available Company policies, procedures and work instructions.
- Employees are informed of the results and important business decisions. This is carried out with "in person" Town Hall meetings together as well as individual team (through "Tool Box Talks") and one to one engagement.
- Monthly newsletters and management updates are provided.

The Remuneration Committee oversees and makes recommendations of executive remuneration and any long-term share awards. The Board encourages management to improve employee engagement and to provide necessary training in order to use their skills in the relevant areas in the business.

We strive to create a diverse and inclusive culture in which everyone feels welcome. We inspire and empower our people to make a positive difference in the workplace and beyond.



Partners

We collaborate with our joint venture partners, securing their support to deliver our asset plans. We value their contribution to the effective operational and financial management of our assets as we deliver on our business strategy.

Investors

We adopt an open and transparent approach with our investors and they play an important role in helping shape our strategy and monitoring our governance. We interact through virtual and physical meetings (including the Annual General Meeting (AGM)), calls and direct correspondence with a range of investors.

Suppliers

The Board upholds ethical business behaviour across all of the Company's activities and encourages management to seek comparable business practices from all suppliers. As part of our on-boarding procedure, when we identify new suppliers, we request copies of their green, ethical and environmental policies, to ensure that any new engagements align to our core business values.

Communities

Making a positive contribution and appropriately managing our environmental impact in the communities in which we live and work remains a key part of our activities. Our communities provide a potential source of employees, contractors and support services, and are important in supporting Star Energy's social licence to operate and maintaining a positive reputation.

We engage with the local community in a number of ways: through the planning process, our Community Fund, community liaison groups and providing employment and work experience opportunities.

We adopt a 'whole of life approach' to our site selection with a methodology covering the entire lifespan of the operation – before, during and after production. To maintain our licence to operate, we continuously manage risk and proactively manage the impacts of our operations, not only in compliance with legislative requirements but also in tune with the high expectations of our stakeholders

Read more >

About our Community Fund online: <https://www.starenergypgroupplc.com/sustainability-responsibility/community-fund/>

Star Energy Community Fund

In March 2023, the Star Energy Community Fund awarded £35,000 worth of grants to support 26 projects in towns and villages close to the Company's operations in Lincolnshire, Hampshire, Surrey and West Sussex. This takes the total awarded to date through the fund in excess of £1 million.

Grants were awarded to a wide variety of projects ranging from defibrillators in rural villages to an aqua plinth for hydrotherapy at a children's hospice.

Money has also been allocated for playground equipment, forest school session for disabled children, a conservation area and a sensory garden.

The panel gave priority to projects which would be able to proceed on the strength of a grant from the Fund and which would benefit a wide span of the local community. It also looked for projects that would be sustainable long-term without further substantial fundraising.

Government and Regulators

We take a constructive, positive approach to working with local authorities to ensure high quality planning applications are submitted. Similarly, we maintain positive and proactive relationships with government departments, such as the Department for Energy Security and Net Zero, via regular dialogue and correspondence.

Our Values

Respect

Respect is paramount, for our people, our environment, our partners and the safety of others.

Performance

Performing to the highest standards internally and externally and delivering against our targets

Transparency

We are honest about what we do, how we do it and the challenges we face. We are open to challenge, to discussion and to improving how we work to reflect our values.

Collaboration

We take on challenges and find solutions through mutual trust, knowledge sharing and teamwork

Commitment

We are fully committed to preserving the environment and providing safe and healthy working conditions.

Read more >

About our Vision and Values on our website: <https://www.starenergypgroupplc.com/about-us/our-purpose-vision-strategy/>



OPERATIONAL REVIEW

Focused on advancing strategic plans

Well uptime remained strong across the year with net production for the period averaging 2,100 boepd (2022: 1,898 boepd). Good results from workovers at Singleton and a rolling programme of well optimisation and stimulation yielded additional production, equal to c.50 boepd. Underlying cash operating costs per boe were c.\$40.3/boe (based on an average exchange rate of £1:\$1.24) vs. \$41.5/boe in 2022.

We have stabilised and reset our production levels through the execution of capital efficient incremental production opportunities, streamlining our operations and driving quicker and better decision making within the operational assets. Our operating costs per barrel have reduced despite widespread cost inflation through both production uplift, but also targeted investment on specific fields.

We continue to suffer from regulatory creep and ever-increasing delays in obtaining regulatory approval for environmental permits. In 2023, waiting times to have an application duly made and then addressed by an officer were commonly in excess of 12 months. The Environment Agency acknowledge these significant delays, but do not seem able to adequately address the issue. This has both cost and environmental consequences with real-world impacts such as having to collect, transport and then inject into subsurface reservoirs uncontaminated rainwater from a variety of operational sites. Simple and standard permits for the discharge of uncontaminated rainwater take months to obtain.

During 2023, we fully abandoned three wells and partially abandoned a further three. Despite cost inflation on specific materials, services and labour, we have seen well-on-well cost reduction of c.10%.

We will continue to invest in capital efficient well optimisation opportunities, in reducing site operating costs and in fully abandoning non-producing and sub-economic fields and relinquishing licences.

Reserves and Resources Competent Persons Report (CPR)*

In February 2024, the Company announced the publication of the full and final results of the CPR by DeGolyer & MacNaughton, a leading independent international reserves and resources auditor.

The report values our conventional assets at \$235 million (2022: \$215 million) on a 2P NPV10 basis.

Net Reserves & Contingent Resources as at 31 December 2023 (MMboe)

	1P	2P	2C
Reserves & Resources as at 31 December 2022	11.17	17.04	18.72
Production during the period	(0.70)	(0.70)	-
Additions & revisions during the period	1.24	1.13	(0.13)
Reserves & Resources as at 31 December 2023	11.71	17.47	18.59

- Oil price assumption of c.\$72/bbl for five years, then inflated at 2-3% p.a. from 2028 to 2050.
- The production in the reserves movement table incorporates production at the following sites: Albury, Beckingham, Bletchingley, Bothamsall, Cold Hanworth, Corringham, East Glentworth, Egmanon, Glentworth, Goodworth, Horndean, Long Clawson, Palmers Wood, Scampton North, Singleton, Stockbridge and Welton.

Development

Oil and Gas

Glentworth

In April 2023, Lincolnshire County Council granted planning consent for the Glentworth development. The development is for an initial appraisal well and up to six horizontal development wells in Phase II.

Phase I has the potential to add c.200 bopd and development of c.1.0 MMstb 2P reserves (currently 2P undeveloped). If Phase I is successful, this will be followed by further development drilling in subsequent years with the subsequent development having the potential to add an additional 500 bopd and the addition of c.2MMstb 2P reserves from 2C. Phase I of the project has a mid-case NPV of £17.5 million.

Environmental permit applications associated with the project were submitted in October 2022. The issue of these permits, required before operations can commence, is still awaited from the Environment Agency.

Corringham

The extensive site upgrades required to drill an additional well at Corringham were completed in Q4 2023. Phase 1 of the Corringham project is now "shovel ready" and will be assessed as part of a capital allocation exercise following the refinancing in April 2024. The project can develop c.350 Mstb of 2P undeveloped reserves and initial production is expected to be c.110 bopd.

The success of Phase 1 of the project unlocks Phase 2 which could develop c.935 Mstb of current 2C resources.

Bletchingley

The Bletchingley gas to wire project now has full planning consent, environmental permits and a secured grid connection. Further work by the Distribution Network Operator is underway to optimise the grid connection routing. Subject to this being finalised, which is expected imminently, the project is now "shovel ready".

Geothermal Energy

Star Energy is fast developing its geothermal portfolio, deploying our decades of expertise in developing subsurface energy sources. Our geothermal portfolio benefits directly from our geoscience, well engineering, drilling and operational expertise.

UK

The UK Government is starting to wake up to the potential for the deployment of geothermal, engaging directly with the industry through a research project to assess the impact of different funding support schemes for geothermal. The final report is likely to be published in September 2024.

There is a significant opportunity in the UK, in particular in decarbonising energy sources throughout the public sector estate and in particular, the NHS.

The British Geological Survey in collaboration with sustainability consultants, Arup, the North East Local Enterprise Partnership and Durham Energy Institute have highlighted the need for a review of funding support schemes for geothermal heating projects. Their findings, published in a White Paper¹ in June 2023, highlighted that the public sector estate is one of the main emitters of greenhouse gases (for heating) in the UK. The estate has large buildings (for example hospitals, prisons and army barracks) with predictable and continuous heating requirements, ideal for geothermal heating. Developing geothermal projects for NHS hospitals with high heat demand that overlie potential geothermal targets could save emissions of between 1.3-22.7 kt CO₂ equivalent per year for individual hospital sites in England. Developing geothermal projects for the 30 top-ranking hospital sites (based on heat demand) could save emissions of 281 kt CO₂ equivalent per year.

* The full report can be found at <https://www.starenergygroupplc.com/investors/reports-publications-presentations/>

1 <https://www.northeastlep.co.uk/wp-content/uploads/2023/07/The-case-for-deep-geothermal-energy-%E2%80%93-unlocking-investment-at-scale-in-the-UK.pdf>



The Carbon and Energy Fund

The Carbon and Energy Fund (CEF) has been specifically created to fund, facilitate and project manage complex energy infrastructure upgrades for the NHS and wider Public Sector.

With a proven track record of more than 60 projects and in-depth experience of procurement, engineering, legal and finance, the CEF is the organisation to guide Public Sector clients through the complex processes involved.

Star Energy is developing a market leading position in this area. In Q2 2023, as part of the five tenders submitted through the CEF Framework in late 2022, Star Energy was selected by Manchester University NHS Foundation Trust to deliver a geothermal heat solution for the Wythenshawe Hospital and by Salisbury NHS Foundation Trust to deliver a geothermal plant to fulfil the full heat requirements of the hospital. We were also awarded Royal Preston Hospital however, the project is reliant on a Government decision regarding funding for a new hospital in order to proceed further.

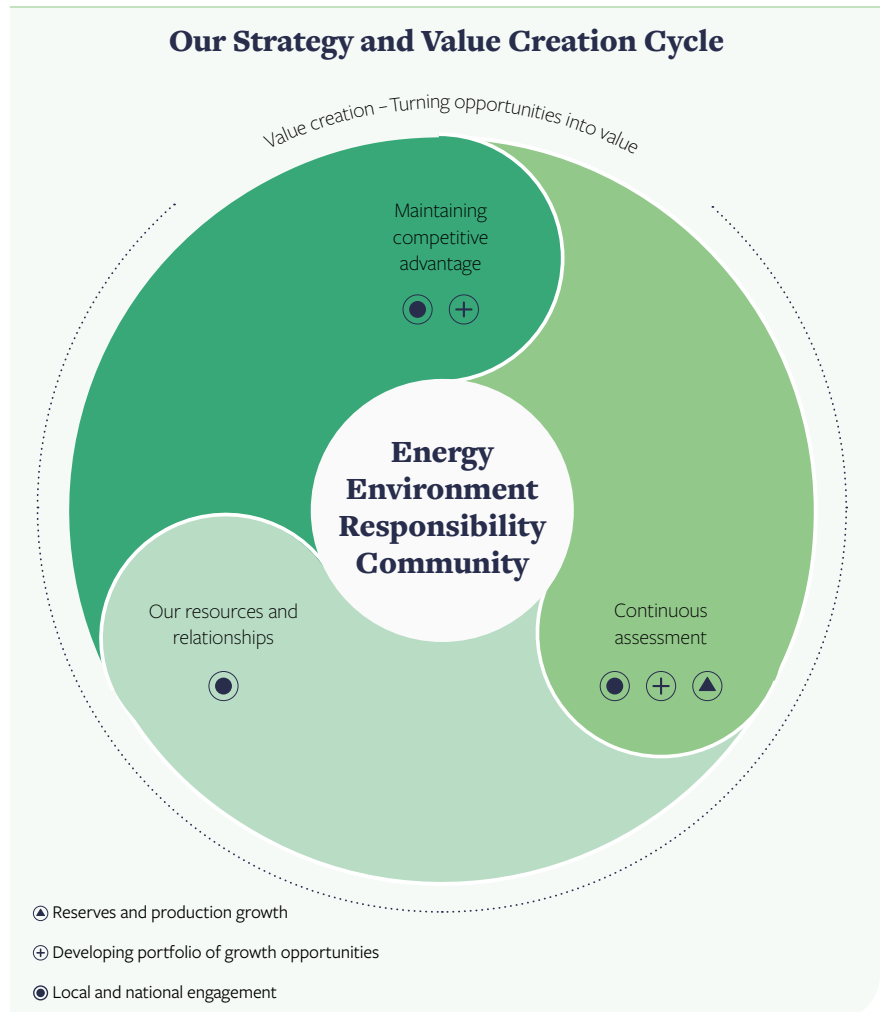
At Salisbury, we are well underway with the initial feasibility work including seismic reprocessing, strategic seismic acquisition and interpretation and pre-planning and permitting. At Wythenshawe, feasibility will commence in Q2 2024 with a seismic programme.

The Stoke project continues to suffer delays. An application, in partnership with Scottish and Southern Energy (SSE), for grant funding was made to the Green Heat Network Fund in November 2022. The grant is to support the deployment of a city-wide district heating network, fed by a deep geothermal heat source. Since the application, SSE have been refining their commercial model and engaging in further discussions with both the council and other end users in Stoke. As well as this, SSE engaged Baker Hughes to carry out project due diligence. This due diligence was conducted during the year and the technical and commercial aspects of the geothermal heat provision within the project were signed off by the consultant towards the end of Q3 2023.

Croatia

In August 2023, we announced our first overseas geothermal investment through the acquisition of a 51% interest in A14 Energy that owns, through its subsidiary, IGeoPen d.o.o., the Ernestinovo exploration licence in the highly prospective Pannonian Basin in northern Croatia.

Our Strategy and Value Creation Cycle



The vast Croatian geothermal resource is well understood, with extensive data available from over 4,000 exploration and appraisal wells drilled during a period of hydrocarbon exploration in Croatia.

The geological characteristics are well suited for electricity generation with a geothermal gradient proven to be 60% higher than the European average and electricity can be sold bilaterally throughout the EU.

In October 2023, our partnership was awarded two further, highly prospective geothermal licences by the Croatian Hydrocarbon Agency.

The two licences, each with an initial five-year exploration term, Sječč and Pčelić, are located in the Drava depression geological region (the southwestern area of the Pannonian basin), the same region as the Ernestinovo licence is located. The licence commitments are to drill four and three wells respectively.

The Ernestinovo licence itself, covers 76.7km² and has data from three deep exploration wells drilled nearby in the 1990s. Work began on the construction of a new well pad and securing necessary permits and the Ernestinovo-3 well was successfully re-entered and prepared for testing in December 2023/early January 2024. Since financial year end, we have successfully completed all the well tests on the Ernestinovo-3 well necessary to convert the licence to a 25-year exploitation licence and have submitted the required data package to the Hydrocarbon Ministry. We expect the Ministry to respond sometime in H2.

The primary objective of the testing programme was to secure the licence and obtain additional technical data on permeability and chemistry. Combining this additional data with the existing technical data from all three secured licences, the Company will rank the opportunities with a view to progressing commercial development of the sites in an optimal manner.



FINANCIAL REVIEW

Managing our capital structure to secure our strategic ambition

The Group continued to progress its strategy during 2023, continuing to optimise production from its oil and gas assets whilst positioning for longer term growth in the geothermal business segment.

Strong performance in the oil and gas business was driven by increased production for the year, which averaged 2,100 boepd (2022: 1,898 boepd), ahead of our production guidance for the year. The higher production reflects the positive results from workovers and other well optimisation and stimulation activities carried out during the year. Higher operating cash flows from the increase in production volumes was offset by lower commodity prices and a weaker US dollar compared to 2022. Brent oil prices declined from an average of \$101/bbl in 2022 to \$83/bbl in 2023. Natural gas prices declined in the year from 262p/therm for 2022 to 102p/therm for 2023. Sterling strengthened slightly during the year with average GBP/USD rates of £1:\$1.25 in 2023 compared to £1:\$1.23 in 2022, negatively impacting our revenues which are mainly denominated in USD.

Revenue for the year was £49.5 million compared to £59.2 million in 2022, a reduction of £9.7 million. The decrease compared to 2022 mainly arose as a result of a reduction in oil revenues (excluding third party oil sales) of £4.5 million due to lower prices and a reduction in gas and electricity revenues of £2.3 million and £1.5 million, respectively, due to both lower volumes and prices. In addition, revenues from the sale of third party oil reduced by £1.5 million due to lower volumes processed by the Group. The Group incurred a net oil price hedging loss of £0.03 million for the year compared to a loss of £6.0 million in 2022. Other cost of sales increased marginally to £24.1 million (2022: £24.0 million). Additional costs from higher production and inflationary increases were partially offset by the reduction in costs due to processing fewer third-party volumes. Underlying operating costs (which exclude third party oil but include costs relating to leases capitalised under IFRS 16) were £32.4 (\$40.3)/boe for the year (2022: £33.4 (\$41.5)/boe) reflecting our ongoing focus on increasing production and improving efficiency.

Adjusted EBITDA was £16.1 million (2022: £21.1 million) and the underlying operating profit was £9.1 million (2022: £16.1 million), with the variance resulting primarily from a reduction in revenues, net of hedges and higher administrative costs.

Strong operating cash flows resulted in a continued reduction in the Group's net debt which amounted to £1.6 million as at 31 December 2023 (31 December 2022: £6.1 million).

Income Statement

The Group recognised revenues of £49.5 million for the year (2022: £59.2 million). Oil revenue for the year amounted to £44.8 million compared to £49.3 million in 2022 representing a reduction of £4.5 million. The average pre-hedge realised price for the year was \$79.0/bbl (2022: \$98.6/bbl) and post-hedge was \$79.9/bbl (2022: \$82.7/bbl). In addition, a strengthening of UK pound sterling against USD from an average of £1:\$1.23 in 2022 to £1:\$1.25 in 2023 also contributed to the reduction in oil revenue. The impact of the above was partially offset by an increase in the Group's oil production volumes which averaged 2,100 boepd in the current year as compared to 1,898 boepd in 2022.

Gas and electricity revenue for 2023 amounted to £1.9 million and £1.2 million respectively as compared to £4.2 million and £2.7 million respectively in 2022 with the reduction in revenue attributable to a combination of reduced prices and lower sale volumes.

Revenues also included £1.2 million (2022: £2.7 million) relating to the sale of third party oil, and have reduced due to lower volumes processed in the year.

A loss of £0.03 million was recognised on oil hedges during the year (2022: loss of £6.0 million).

Cost of sales for the year were £32.3 million (2022: £30.3 million) including DD&A of £8.2 million (2022: £6.3 million), and other costs of sales of £24.1 million (2022: £24.0 million). The DD&A charge has increased by £1.9 million in the year mainly due to an increase in the production volumes in the year. In addition, the Group has written off the net book value of field assets in respect of certain non-producing fields with no remaining proven and probable reserves as at 1 January 2023 as well as certain costs on a rationalisation project at our Holybourne site. Other costs of sales increased by £0.1 million compared to 2022 mainly due to £1.2 million arising from the higher well services and maintenance equipment cost to boost production, higher transport costs and other inflationary impacts and an increase in cost of £0.4 million due to stock movements. The increase was partially offset by a reduction of £1.4 million due to lower third party volumes being processed in the year.

Adjusted EBITDA in the year was £16.1 million (2022: £21.1 million). The gross profit for the year was £17.1 million (2022: £28.8 million).

Administrative costs increased by £1.1 million to £7.3 million (2022: £6.2 million) primarily due to increases in legal and professional fees due to the acquisition of the Croatian geothermal business in the year and services procured in relation to the refinancing of the Group's borrowings, together with general inflationary increases.

Research and non-capitalised development costs were £2.0 million (2022: £0.1 million), of which £1.6 million related to our operations in Croatia primarily in respect of well re-entry activity to test the geothermal potential of the Ernestinovo licence. These are early stage costs which do not meet the criteria for capitalisation as development costs under IAS 38 Intangible Assets. The remainder of the costs mainly related to amounts incurred on the NHS trust geothermal projects, net of any grants received.

Exploration and evaluation costs written off during the year were £0.5 million including costs relating to our oil and gas assets where there is no further development prospect, and trailing costs on previously impaired unconventional licences. In the previous year we had written off exploration and evaluation costs of £30.0 million of previously capitalised shale exploration costs.

Goodwill of £0.1 million related to the Leščan licence was written off in the year once it was determined that the Group had not been successful in its bid for this licence (see note 9).

No impairment or impairment reversal has been recognised in relation to the Group's oil and gas assets in the year (see note 10). In the prior year a net impairment reversal of £0.03 million was recorded on oil and gas assets.

Net finance costs were £4.4 million (2022: £5.1 million). Interest and amortisation of finance fees on borrowings were £1.2 million (2022: £1.2 million) with the impact of a reduction in the amount drawn being offset by higher interest rates. Finance costs also included the unwinding of the discount on provisions of £2.6 million (2022: £1.7 million) and interest on leases of £0.7 million (2022: £0.7 million). Net foreign exchange gains during the year were £0.2 million (2022: loss of £1.4 million) mainly on our USD based Reserves Based Lending (RBL) borrowings.



A net tax charge of £8.3 million (2022: net tax credit of £6.6 million) was recognised during the year, mainly due to the reduction in the deferred tax asset relating to tax losses reflecting the lower forecast oil prices (£6.8 million) and a current tax charge arising as a result of the Energy Profits Levy (£1.1 million).

Cash Flow

Net cash generated from operating activities for the year was £17.2 million (2022: £18.1 million). The reduction was primarily due to the decrease in cash inflows from revenue generated from customers of £7.4 million and an increase in the cash outflows from operating costs, administrative expenses and research and non-capitalised development costs of £2.4 million, partially offset by an increase in cash inflows from realised derivatives of £8.5 million and a reduction in abandonment spend of £0.4 million.

The Group invested £8.5 million across its asset base during the year (2022: £7.9 million). This included £7.6 million of investment in our oil and gas assets, primarily for site preparation and purchase of long lead items required for a development project at Corringham, rationalisation works at the Holybourne site and a number of projects to increase production from existing wells and to offset field declines by upgrading existing facilities and systems. We invested £0.3 million on oil exploration opportunities at existing fields. £0.6 million was spent to progress the Stoke-on-Trent geothermal project.

The Group spent £1.3 million on the acquisition of a 51% equity interest in A14 Energy Limited, the parent company of IGeoPen d.o.o za trogovinu i usluge ("IGeoPen") which owned a geothermal business in Croatia, including the Ernestinovo licence. The Group generated £0.2 million from the sale of non-core land.

We repaid £3.3 million (\$4.0 million) (2022: £8.0 million (\$10 million)) of the outstanding RBL loan and paid £0.8 million (\$1.0 million) in loan interest (2022: £1.0 million) (\$1.2 million). In addition, the Group paid interest charges of £0.6 million (2022: £nil) in respect of performance guarantees for our Croatian geothermal licences.

Realised gains on oil hedges were £0.5 million (2022: realised loss of £8.0 million).

Cash and cash equivalents were £3.9 million at the end of the year (2022: £3.1 million).

	2023 £m	2022 £m
Revenues	49.5	59.2
Adjusted EBITDA ¹	16.1	21.1
Underlying operating profit ¹	9.1	16.1
Net cash from operating activities	17.2	18.1
Loss after tax	(5.5)	(11.8)
Net debt ¹	1.6	6.1
Cash and cash equivalents	3.9	3.1
Net assets	54.9	58.3

¹ These are non-IFRS alternative performance measures which are further explained on [page 11](#).

	2023 \$	2022 \$
Realised Price Per Barrel		
Realised price per barrel	79.9	82.7
Administrative expenses per boe	12.0	11.5
Other operating costs (underlying)	30.0	30.8
Well services	7.2	8.0
Transportation and storage	3.1	2.7

	2023 £m	2022 £m
Adjusted EBITDA		
Reconciliation of profit/(loss) before tax to Adjusted EBITDA		
Profit/(loss) before tax	2.8	(18.4)
Net finance costs	4.4	5.1
Depletion, depreciation & amortisation**	8.3	6.3
Oil and gas assets net impairment (reversal)/charge	–	–*
Exploration and evaluation assets written off	0.5	30.0
Goodwill impairment	0.1	–
EBITDA	16.1	23.0
Lease rentals capitalised under IFRS 16	(1.8)	(1.7)
Share-based payment charge	0.7	1.0
Unrealised loss/(gain) on hedges	0.5	(1.9)
Redundancy costs (net of capitalisation)	0.1	0.7
Acquisition costs	0.5	–
Adjusted EBITDA	16.1	21.1

* Rounds to nil.

** Includes depreciation charge recorded in administrative expenses.

	2023 £m	2022 £m
Underlying operating profit		
Reconciliation of operating profit/(loss) to underlying operating profit		
Operating profit/(loss)	7.2	(13.3)
Lease rentals capitalised under IFRS 16	(1.8)	(1.7)
Depreciation charge of right-of-use assets	1.3	1.3
Share-based payment charge	0.7	1.0
Oil and gas assets net impairment (reversal)/charge	–	–*
Exploration and evaluation assets written off	0.5	30.0
Goodwill impairment	0.1	–
Unrealised loss/(gain) on hedges	0.5	(1.9)
Redundancy costs (net of capitalisation)	0.1	0.7
Acquisition costs	0.5	–
Underlying operating profit	9.1	16.1

* Rounds to nil.

	31 December 2023 £m	31 December 2022 £m
Debt (nominal value excluding capitalised expenses)	(5.5)	(9.2)
Cash and cash equivalents	3.9	3.1
Net debt	(1.6)	(6.1)



FINANCIAL REVIEW CONTINUED

Balance Sheet

Net assets reduced by £3.4 million to £54.9 million at 31 December 2023 (2022: £58.3 million), primarily due to a reduction in the deferred tax asset and an increase in trade and other payables and corporation tax payable, partially offset by an increase in intangible assets following the acquisition of 51% equity interest in A14 Energy Limited, and a reduction in borrowings.

Property, plant and equipment reduced by £0.7 million during the year as the capital expenditure incurred of £6.9 million was more than offset by the DD&A charge of £7.0 million, disposals of fixed assets of £0.3 million and a reduction in the value of decommissioning assets of £0.3 million.

Intangible assets increased by £4.5 million mainly due to the capitalisation of the cost of the Ernestinovo licence (£2.5 million) and goodwill (£1.3 million) related to the acquisition of the 51% equity interest in A14 Energy Limited. In addition, £0.7 million was capitalised in relation to the Stoke-on-Trent project and £0.6 million in relation to exploration and evaluation activities on our oil and gas licences. The Group wrote off exploration costs and goodwill in the year of £0.5 million and £0.1 million respectively.

The provision for decommissioning costs decreased by £0.4 million (2022: £3.2 million) as a result of abandonment activity during the year (£2.9 million), a change in the assumptions used in the provision for the calculation of discount rates, expected costs and timing of abandonments (£0.1 million), offset by the unwinding of the discount on the provision (£2.6 million).

Trade and other payables increased by £2.3 million as a result of timing of activity on capital and abandonment projects, higher operating and administrative expenses and a liability recognised of £0.9 million related to the award of the Sječe and Pčelić Croatian geothermal exploration licences.

The deferred tax asset reduced by £7.6 million from £44.8 million at 31 December 2022 to £37.2 million at 31 December 2023 mainly due to a change in forecast utilisation of available tax losses.

The Group recognised a current tax liability of £1.1 million at 31 December 2023 for the Energy Profits Levy (2022: £nil).

At 31 December 2023, right-of-use assets were £7.4 million (2022: £7.4 million) and related lease liabilities were £7.8 million (2022: £7.8 million).

We repaid £3.3 million (\$4.0 million) (2022: £8.0 million (\$10.0 million)) on our RBL loan facility during the year reducing net debt to £1.6 million by year end (2022: £6.1 million).

2024 Capital Expenditure

Following the refinancing in April 2024, we are working on a full capital expenditure plan for 2024. However, we are committing to £4.5 million on near-term incremental projects with short-cycle returns to take advantage of current high commodity prices, maintenance and the optimisation of our existing conventional sites as well as maturing our conventional development projects portfolio. A further £1.0 million expenditure on non-core asset rationalisation will facilitate the future sale of a land holding.

Going Concern

The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are prepared on a monthly basis 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. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, fluctuations of sterling and reductions in forecast oil and gas production rates.

We have prepared our going concern assessment for the period to 30 September 2025.

Crude oil prices saw a decline in 2023 compared to 2022. The higher prices prevailing during 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. Prices increased in H2 2023 but remained below those seen in 2022. More recently, geopolitical tensions, including the prospect of a wider conflict in the Middle East and attacks on Russian refineries have led to concerns over supply disruption which, together with an extension of OPEC output cuts through to June 2024, have led to higher prices in 2024.



The Group has generated strong operating cash flows in 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 the availability of the monies drawn under its loan facility, which is dependent on the Group not breaching the facility's covenants. In respect of the latter, the Group successfully completed a €25 million financing facility with Kommunalkredit, Austria in March 2024, securing funds to repay the outstanding balance on its RBL facility which was due to mature at the end of June 2024, and providing funding for its energy transition strategy.

The Group's base case cash flow forecast was run with average oil prices of \$85/bbl for 2024, falling to \$80/bbl for H1 2025 and \$77/bbl for H2 2025, and a foreign exchange rate of an average \$1.26/£1 for 2024 and \$1.27/£1 for 2025. In this base case scenario, our forecasts show that the Group will have sufficient financial headroom to meet the applicable financial covenants over the going concern assessment period.

Management has also prepared a downside case with average oil prices at \$85/bbl for H1 2024 and \$81/bbl for H2 2024, falling to \$76/bbl for H1 2025 and \$73/bbl for H2 2025. We used an average exchange rate of \$1.26/£1 for H1 2024, \$1.29/£1 for H2 2024 and \$1.30/£1 for 2025. Our downside case also included an average reduction in production of 5% over the period. In the event of a downside scenario, management would take mitigating actions including delaying capital expenditure and reducing costs, in order to remain within the Group's financial covenants over the remaining facility period, should such actions be necessary. All such mitigating actions are within management's control. In this downside scenario including mitigating actions, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants over the going concern assessment period. Management remain focused on maintaining a strong balance sheet and funding to support our strategy.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for at least the next twelve months from the date of the approval of the Group financial statements and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

Frances Ward

Frances Ward

Chief Financial Officer

Non-IFRS Measures

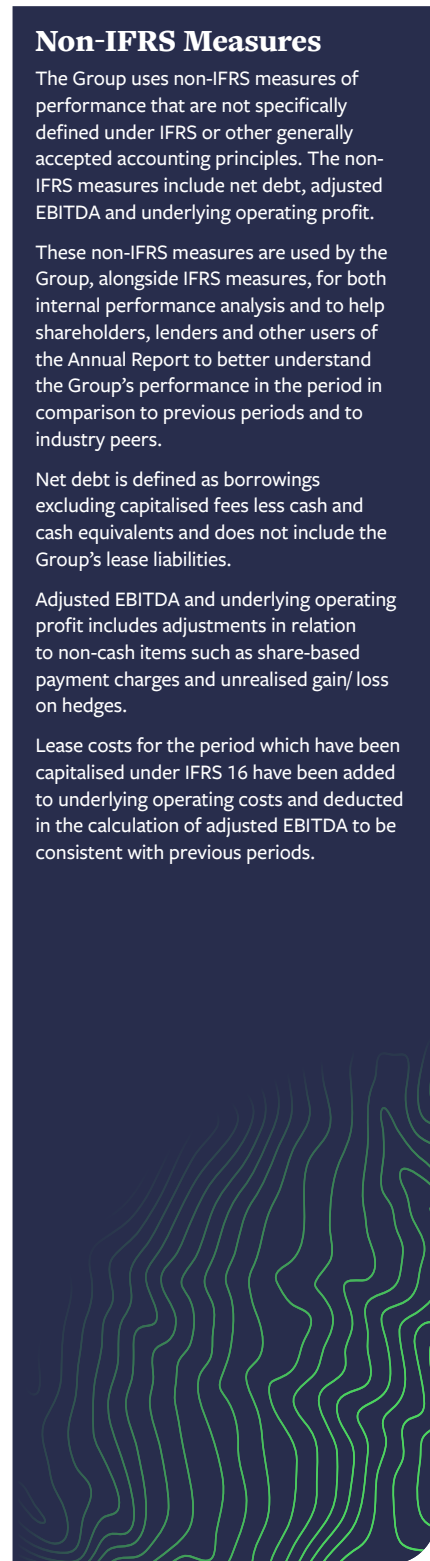
The Group uses non-IFRS measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. The non-IFRS measures include net debt, adjusted EBITDA and underlying operating profit.

These non-IFRS measures are used by the Group, alongside IFRS measures, for both internal performance analysis and to help shareholders, lenders and other users of the Annual Report to better understand the Group's performance in the period in comparison to previous periods and to industry peers.

Net debt is defined as borrowings excluding capitalised fees less cash and cash equivalents and does not include the Group's lease liabilities.

Adjusted EBITDA and underlying operating profit includes adjustments in relation to non-cash items such as share-based payment charges and unrealised gain/ loss on hedges.

Lease costs for the period which have been capitalised under IFRS 16 have been added to underlying operating costs and deducted in the calculation of adjusted EBITDA to be consistent with previous periods.



KEY PERFORMANCE INDICATORS (KPIs)

Measuring our progress

Star Energy tracks both financial and non-financial metrics to help the Group manage its long-term performance and measure progress against its strategy.

Non-financial

Lost Time Injuries (LTI) (number)

Two

2023	Two
2022	Two
2021	Two
2020	Nil
2019	Nil

Progress on Development – asset optimisation, oil and gas opportunities and diversification

2023	Glentworth planning secured. Corringham project shovel ready. 3/5 NHS tenders awarded to date. Singleton workover complete.
2022	Glentworth planning submitted. Corringham EA permit granted. Submission to Green Heat Network Fund for Stoke-on-Trent geothermal. Geothermal tenders for five NHS Trusts.
2021	Albury and Bletchingley planning submitted. Solar agreement with Iona Capital. Stockbridge water disposal underway.
2020	Completed the acquisition of GTE, a geothermal developer with a flagship project in Stoke-on-Trent. Signed partnership agreement with BayoTech for development of hydrogen on existing sites. Scampton waterflood project online.
2019	Drilled a vertical well at Springs Road and announced a world-class shale discovery in June.

Reasons for choice

Health and safety is of paramount importance to us in providing the highest level of protection to all our stakeholders.

The Group intends to play an important role in the UK's energy transition through the development of geothermal energy whilst maximising opportunities in its existing business.

How we measure

We measure Total Recordable Injury Frequency Rate (TRIFR) which records all injuries requiring medical treatment. We aim to have zero LTIs but when we do have an LTI this is fully investigated with clear remedial action as required and communication of learnings to the organisation.

Progress against budgeted work programmes is tracked on a monthly basis and reported to the Board. Where progress is slower than expectations, actions are taken to understand the reasons and issues addressed.

Target and results for 2023

The target of 0 LTIs was not met.

Any incident where injury occurs automatically triggers an in-depth review of our existing procedures and subsequent implementation of improvements.

We maintained ISO 9001 and 14001 accreditation.

A planning consent was issued for the Glentworth oil project.

Salisbury and Wythenshawe Hospital geothermal projects awarded. Preston awarded, dependent on Government funding for new hospital.

Acquisition of Ernestinovo Licence in Croatia and award of a further two licences.

Remuneration and strategy link

This measure is used to determine the level of annual cash bonus.

This measure is used to determine the level of annual cash bonus.



Financial

Production (boepd)

2,100 boepd

2023	2,100 boepd
2022	1,898 boepd
2021	1,962 boepd
2020	1,907 boepd
2019	2,325 boepd

Operating Costs (\$/boe)

\$40.3/boe

2023	\$40.3/boe
2022	\$41.5/boe
2021	\$37.4/boe
2020	\$33.3/boe
2019	\$30.1/boe

Operating cash flow before working capital movements

£15.0m

2023	£15.0m
2022	£19.4m
2021	£7.4m
2020	£3.3m
2019	£14.3m

Reasons for choice

The Group aims to maintain production levels to provide operating cash flow for funding of the Group. To ensure this target is met an appropriate level of capital investment is planned to mitigate against the underlying decline in our mature fields.

Operating costs per boe is a key focus for the Group as keeping costs low will improve the cash that we generate from our producing assets.

Operating cash flow is key to providing funding for investing in the business as we pursue our growth strategy.

How we measure

Daily and weekly production is monitored for all producing assets and reported weekly to senior management and monthly to the Board. Monthly production forecasts are prepared during the year to measure progress against the production target.

Operating costs are monitored closely to ensure that budget targets are being met. Operating costs are reported on a monthly basis to the Board and actions are taken, as required, to control costs in line with the budget.

Operating cash flow is reported to the Board on a monthly basis. Regular forecasts are undertaken to ensure operating cash flow is in line with budget, as well as longer-term forecasts to ensure that the strategy of the business can be adequately funded.

Target and results for 2023

Net production for the year was 2,100 boepd. A rolling programme of well optimisation and stimulation yielded additional production equal to c.50 boepd.

Operating costs reduced to \$40.3/boe, reflecting success in increased production and efficiency.

Operating cash flow before working capital movements was £15.0 million. The target was not achieved, due to higher administrative costs and unanticipated spend on early-stage geothermal activity following the A14 acquisition.

Remuneration and strategy link

This measure is used to determine the level of annual cash bonus.

This measure is used to determine the level of annual cash bonus.

This measure is used to determine the level of annual cash bonus.



RISK MANAGEMENT

Understanding the risks associated with our operations

The principal risks currently recognised and the mitigating actions taken by management are as follows:

Risk	Executive Ownership	Mitigation	Change
Strategic			
<p>1. Exposure to political risk</p> <p>We operate in and may seek new opportunities in countries, regions and cities where political, economic and social change may take place. Political instability, changes to the regulatory or taxation environment, international trade disputes and barriers to free trade, international sanctions, expropriation or nationalisation of property, civil strife, strikes, insurrections, acts of terrorism or acts of war may disrupt or curtail our operations or development activities.</p>	<p>Chief of Staff</p> <p>Ann-marie Wilkinson</p>	<p>The Group engages with Government and other appropriate organisations, directly and through its trade body, UKOOG, and other industry associations, to ensure the Group is kept abreast of expected potential changes and takes an active role in making appropriate representations and actively participating in consultations. The Group also monitors geopolitical impacts on oil and gas prices (see risk 10 and 11).</p>	▲
<p>2. Strategy performance</p> <p>Strategy fails to meet shareholder expectations.</p>	<p>CEO</p> <p>Chris Hopkinson</p>	<p>Board oversees and signs off on all strategic business decisions. Management regularly communicates its strategy to shareholders.</p>	—
<p>3. Climate change</p> <p>Changes in laws, regulations, policies, obligations and social attitudes relating to the transition to a lower carbon economy could lead to higher costs, or reduced demand and prices for hydrocarbons, impacting the profitability of the Group.</p> <p>The transition away from carbon-based energy sources may restrict the future demand for, or cost of production of, the Group's oil and gas reserves (Medium to Long term).</p>	<p>CEO</p> <p>Chris Hopkinson</p>	<p>The Group works closely with regulators to ensure that all required planning consents and permits for operations are in place and maintains continual dialogue with all stakeholders to understand emerging requirements. The Board actively reviews the Group's strategy to ensure it remains relevant and will provide long-term returns to shareholders. The Group's strategy includes transition into the geothermal energy market which it believes can form a key part of the UK's transition to net zero in 2050 developing a competitive advantage and distinguishing Star Energy from its peers.</p>	—
<p>4. Cyber security</p> <p>Changes in laws, regulations, policies. Exposure to a serious cyber-attack which could affect the confidentiality of data, the availability of critical business information and cause disruption to our operations.</p>	<p>Chief of Staff</p> <p>Ann-marie Wilkinson</p>	<p>The Group outsources its provision of IT equipment and help desk services to a third party and ensures that staff are trained in security awareness. The Group has been accredited with Cyber Essential Plus which demonstrates commitment to cyber security.</p>	—
Operational			
<p>5. Planning, environmental, regulatory, licensing and other permitting risks</p> <p>Planning, environmental, licensing and other permitting risks associated with operations and, in particular, with drilling and production operations.</p>	<p>COO</p> <p>Ross Glover</p>	<p>The Group considers that such risks are mitigated given that its producing assets are located in established oil and gas producing areas, there is a portfolio of producing assets and its operating staff have extensive expertise and experience.</p> <p>The Company seeks to diversify its revenue streams.</p>	—



Key to Direction of Change

▲ Increase ▲ Decrease — No change

Risk	Executive Ownership	Mitigation	Change
Operational continued			
6. Failure to deliver production targets Oil or gas is not produced in the anticipated quantities from any or all of the Group's assets or that oil or gas cannot be delivered economically.	COO Ross Glover	The Group considers that such risks are mitigated given that its producing assets are located in established oil and gas producing areas, there is a portfolio of producing assets and its operating staff have extensive expertise and experience. The Company seeks to diversify its revenue streams.	—
7. Project Delivery Risk of delays in project delivery, higher cost of project delivery and lower than forecast output of projects delivered.	COO Ross Glover	Each project is delivered in accordance with our gated delivery assurance framework and has a clear delivery framework. Delivery against the project objectives, timeline and costs are regularly monitored. Risks being faced are discussed and where appropriate risk mitigation steps implemented.	
8. Loss of key staff Loss of key staff.	Chief of Staff Ann-marie Wilkinson	The Remuneration Committee regularly evaluates incentivisation schemes to ensure they remain competitive. The Company seeks to build depth of experience in all key functions to ensure continuity.	—
9. Pandemic Exposure to a global pandemic, such as COVID-19, that leads to reduction in staff availability, disruption to the Group's operations and delays to the supply chain.	CFO Frances Ward	The Group has business continuity plans in place to manage any disruption to operations. These include procedures to ensure staff are kept healthy and safe and that the Group complies with all guidance issued by the Government. Office staff work from home where appropriate and the necessary technology and equipment are in place to maintain this. Liaison with all regulators to ensure that the Group remains compliant with all permits and regulatory standards.	—
Financial			
10. Oil market price risk Exposure to market price risk through variations in the wholesale price of oil in the context of the production from oil fields it owns and operates.	CFO Frances Ward	The Board seeks to underpin the Group's future cash flows by entering into a hedging programme as appropriate. The Board continues to monitor the benefits of such hedging.	—
11. Gas and electricity market price risk Exposure to market price risk through variations in the wholesale price of gas and electricity in the context of its future unconventional production volumes.	CFO Frances Ward	The Board monitors the benefit of entering into contracts at the appropriate time to protect against gas and electricity price volatility.	—
12. Exchange rate risk Exposure to exchange rate risk through its major source of revenue in US\$ and its borrowings being priced in Euros, with costs being denominated in Sterling and Euros.	CFO Frances Ward	The Board monitors the cash flows and currency exposures of the Group. Exchange rate hedges are executed as appropriate to mitigate the exchange rate risk.	▲
13. Liquidity risk Exposure, through its operations, to liquidity risk.	CFO Frances Ward	The Board regularly reviews the Group's cash forecasts and the adequacy of available facilities to meet the Group's cash requirements.	—
14. Capital risk The Group is exposed to capital risk resulting from its capital structure, including operating within the covenants of its loan facility.	CFO Frances Ward	The capital structure is continually monitored to ensure it is in line with the business needs and ongoing asset development. Further details of the Group's capital management policy are disclosed in note 23 to the consolidated financial statements.	—



SUSTAINABLE AND RESPONSIBLE BUSINESS

A socially and environmentally responsible energy producer

Environmental and social responsibility are central to our vision, strategy and day-to-day operations.

The United Nations' Sustainable Development Goals (SDGs) form a universal blueprint for achieving a better and more sustainable future for all by 2030.



Engaging with Society



Guided by moral principles and values, we make ethical decisions, manage risk and conduct our business in full compliance with all legal and regulatory requirements, in a way that achieves a balance between environmental, societal and economic needs.

We train employees on anti-corruption, bribery, Modern Slavery, Unconscious Bias and Equality and Diversity.

Read more:

Our Modern Slavery statement can be found at: <https://www.starenergygroupplc.com/modern-slavery-transparency-statement/>

UN Global Compact

The UN Global Compact (UNGC) is the world's largest corporate sustainability initiative which aims to support companies to do business responsibly by aligning their strategies and operations with the Ten Principles on human rights, labour, environment, and anti-corruption. Alongside this, the Compact actively encourages further action regarding the UNSDGs, emphasising collaboration and innovation to advance broader societal goals. Star Energy joined as a signatory to the Global Compact in 2021 and fulfils the three requirements within the annual Communications on Progress (CoP); stating our continued support for the UNGC; describing the actions taken by the company and measuring the outcomes.

Health & Safety



We recognise and prioritise our duty to act responsibly and protect the health, safety and wellbeing of staff and contractor personnel working in support of our operations. We achieve this by managing operations in such a way that puts people first through a process of engagement, communication, and training. This reinforces a common understanding that everyone has a vital role to play in maintaining safe operations and the consistent application of the principles of risk management and process safety.

Our TRIFR ended the year significantly below our KPI. We continually endeavour to eliminate injuries to people working on our operations. Any incident where injury occurs automatically triggers an in-depth review of our existing procedures and subsequent implementation of improvements.

Throughout 2023, our safety related campaigns have continued and expanded. Engagement with our systems has improved and as a result this year we have exceeded in all but one of our safety related Leading Management KPIs. The campaigns continue to have a measurable beneficial impact, reducing incident rates and improving quality.

One such campaign has been to encourage all employees, both operational and office based, to conduct Job Safety Analysis. As a result, during 2023, a large number of our procedures have been reviewed whilst in use, with opportunities to improve identified and implemented.

During early 2023 we launched a Competency and Qualification Portal, to be used by all of our employees and throughout the year we migrated our data from numerous different platforms onto one system. The portal provides both employees and managers a simple matrix showing them the qualifications and competencies they require to perform their duties. Qualifications and competencies that are soon to expire are highlighted, providing sufficient time for employees together with Competency Coordinators to organise training. The system is a significant advance in the manner by which we record, track, and maintain our competencies and qualifications.

We ensure our colleagues have access to affordable healthcare and aim to achieve top quartile industry performance on our occupational safety measures.

The programme of Emergency Response Exercises continued throughout 2023. Regularly testing our response plans ensures that they constantly improve and that they work in the event of an emergency.



Environment

We are determined to play a vital part in the UK energy transition and lowering our impact on the environment is a key step in that journey.

We operate in a highly regulated environment and there are strict rules in place to help us monitor and minimise our impact.

Our Stakeholders

Star Energy operates an ISO 14001 certified Environmental Management System and by doing so demonstrates, via external assurance, that the systems and processes which we apply to our business in the management and determination of environmental risk are robust. During 2023, our certification for both ISO 9001 and 14001 were successfully renewed and maintained.

Climate Change and GHG Emissions

Climate action is now a global priority, with the UK committing to bring all greenhouse gas emissions to net zero by 2050. Star Energy is resolved to being part of that transition, delivering low-carbon solutions such as geothermal whilst delivering domestic oil in a responsible way, constantly looking to reduce its impact on the environment.

Star Energy recognises the risk that climate change poses to society and to its business.

We support the UK's transition to a low-carbon economy, through the responsible development and production of domestic onshore oil and gas in alignment with the Committee on Climate Change recommendations and also through our investment in low-carbon technologies such as geothermal.

Our approach to managing our GHG emissions involves:

- The efficient operation of our existing equipment and infrastructure, including minimising flaring and venting; and
- The installation of best available technology into all new projects to minimise their carbon.

Star Energy complies with all of its environmental permits in respect to emissions.

		2021	2022	2023
Scope 1 emissions	kg CO ₂ Eq./MWh ³	21.43	23.50	23.33
Scope 2 emissions	kg CO ₂ Eq./MWh	0.127	0.156	0.149
Energy consumption	MWh	12,976	13,068	11,042

Streamlined Energy and Carbon Reporting (SECR) Disclosure

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the Government's policy on SECR, requiring disclosure of the environmental performance of the Group's assets through calculating the Group's GHG emissions. Our disclosure presents our carbon footprint across Scope 1 and 2 together with an appropriate intensity metric and total energy use.

Methodology

GHG emissions are quantified and reported according to the Greenhouse Gas Protocol. Consumption and production data has been collated and converted into CO₂ equivalent using the UK Government 2023 Conversion Factors^{1,2} for Company Reporting to calculate emissions from corresponding activity data. To collect both consumption and production data, the Group has reviewed emissions data related to production, electricity purchases, fuel purchases related to mileage in group-owned vehicles as well as staff expenses related to business mileage in private vehicles.

This information has been prepared in accordance with the GHG Protocol's Guidance. Data collected relates to the most recent 12-month period where data was available.

The GHG sources that constitute our operational boundary for the reporting period are:

- Scope 1: Direct emissions from Company-owned and controlled resources;
- Scope 2: Indirect emissions from purchased energy; and
- Energy consumption.

Energy Efficiency Action

The Company continually strives to improve its operational energy efficiency and we are committed to identifying, monitoring, and mitigating any negative impact we may have on our surrounding environment.

During 2023 we progressed opportunities to further lower our GHG emissions:

- At Cold Hanworth a new, hotter flare, which reduces emissions, has been installed and is currently undergoing testing and commissioning.
- At Gainsborough/Beckingham the project to reduce venting across the field and drive an ever-greater percentage of gas towards gas-to-wire and heat generation continues.

Projects during 2024 include:

- Gas-to-wire at Bletchingley and Singleton where we plan to capture the gas which is currently flared and convert it to electricity.
- Completion of the commissioning of the Cold Hanworth flare.
- Detailed measurement of gas flow at our Horndean sites in order to determine the suitability of the gas for heat generation.
- Continued reduction in venting across the Gainsborough/Beckingham field with an ever-greater percentage of gas being driven towards gas-to-wire and heat generation.
- A trial of HVO fuel to replace diesel.

The Company is continually reviewing its energy consumption and developing new technologies such as geothermal with the aim of delivering ongoing reductions in emissions and thereby reducing its emissions intensity ratio.

1 Source: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023>.

2 Where conversion factors for specific compounds are not published by the UK Government suitable values have been sourced from reputable alternative sources.

3 Previous years' emissions were reported in the relatively industry specific metric of kg CO₂ Eq./boe. From 2023, emission calculations are presented as kg CO₂ Eq./MWh, as it is the more common metric for environmental performance, used by a broad range of industries.



CORPORATE GOVERNANCE STATEMENT

Introduction to governance



Dear Shareholder,

As Chairman, I have responsibility for providing overall leadership to the Board and ensuring that good corporate governance is embraced by Star Energy and the Group as a whole. In doing so, I work with, and consider, the views of all Board members, the Executive Committee (Excom) and the Company's advisers. The Board is fully committed to ensuring that high standards of governance, values and behaviours are consistently applied throughout the Group, helping to ensure the integrity of our business, the successful delivery of our strategy and the long-term success of the Group as a whole.

The Company continues to adopt and comply with the Quoted Companies Alliance Corporate Governance Code 2018 (QCA Code) and implement its ten principles of corporate governance. We report our compliance with the QCA Code through [pages 19 to 21](#) of this Annual Report and the Corporate Governance section of our website.

The Quoted Companies Alliance Corporate Governance Code published in November 2023 (the QCA Code 2023) recommends that all directors stand for re-election annually. In an effort to begin migrating to the QCA Code 2023, all of the Directors of the Company will stand for re-election at the upcoming annual general meeting.

Governance for us includes a broad number of structures, activities and controls, as well as different levels of accountability and responsibility.

Throughout the year, the Company continued to engage with its shareholders and stakeholders on the current position of the business and its future strategy. Further information on our stakeholder engagement can be found on [pages 4 and 5](#). Our primary means of communicating the Group's corporate governance structure is through the Annual Report and various disclosures made on our website. Nevertheless, where specific questions are raised by private individual shareholders and institutional investors, we engage directly with those shareholders, principally through the Chief Executive Officer, the Chief Financial Officer, the Chief of Staff and the Chief Operations Officer.

We seek to communicate our corporate culture through staff presentations and inductions. We rely on our management structure and our internal reporting structures to assess whether these core values have been respected.

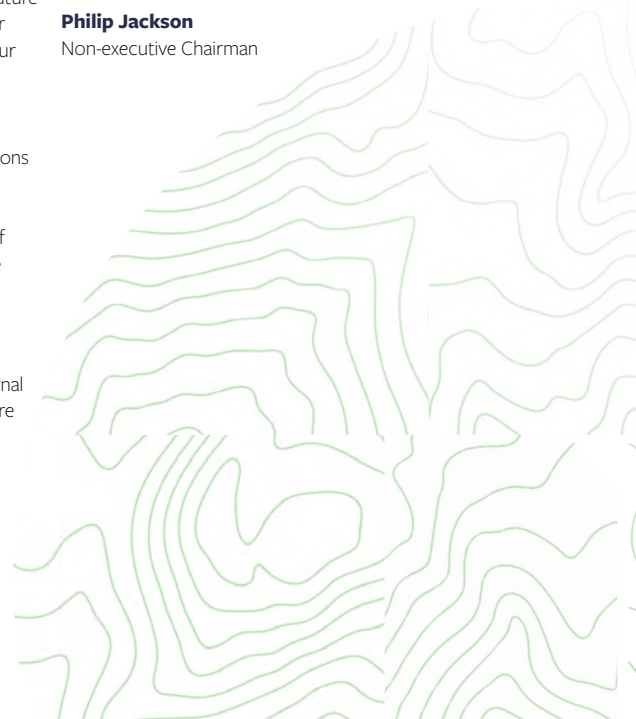
In addition to regular monthly "all staff" updates, the Company delivered town hall meetings. Throughout the year, we encouraged staff to utilise regular scheduled meetings with their supervisors and managers to raise questions, issues, ideas and concerns as well as maintaining small group "safety initiative" meetings across the operations division.

Star Energy is committed to diversity, including gender diversity and we have a number of women in senior management roles. On 18 December 2023, we announced the appointment of another independent Non-executive Director, Aneliya Erdly, to the Board. Aneliya joined as a member of the Remuneration Committee. Then, on 20 December 2023, Anthony White, was appointed to the Board as an independent Non-executive Director. Anthony also joined as a member of the Audit Committee. On 23 January 2024, Doug Fleming stepped down from the Board and the Audit Committee. Following these appointments and resignation, the Board exceeds the best practice recommendation of the QCA Code in having four independent Non-executive Directors on the Board comprising circa 67% of the Board.

The Board continues to review the composition of the Board and the Committees as the Company grows and evolves, and will consider to rebalance the Board and Committees' membership as and when necessary.

I look forward to welcoming you to our AGM on 12 June 2024.

Philip Jackson
Non-executive Chairman



Corporate Governance Principles Applicable to Star Energy

The ten QCA Code corporate governance principles are:

1. Establish a strategy and business model which promotes long-term value for shareholders
2. Seek to understand and meet shareholder needs and expectations
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation
5. Maintain the board as a well-functioning, balanced team led by the chair
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
8. Promote a corporate culture that is based on ethical values and behaviours
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Application of the QCA Code

The Company has adopted the QCA Code since 2018 on the basis that it is the corporate governance code most suited to our requirements, size, strategy, resources and stage of development. It offers a flexible but rigorous outcome-oriented framework in which we can continue to develop our governance model to support our business.

The QCA Code requires us to apply the principles as set out above and to publish certain related disclosures in our Annual Report, on our website, or a combination of the two. We have followed the QCA Code's recommendations and have therefore provided disclosure relating to Principles 2, 3 and 9, as well as those aspects of Principles 8 and 10 recommended to be disclosed on our website, in a corporate governance statement on our website and cover the remaining principles in this Annual Report. We depart from the recommendation of the QCA Code in respect of Principle 7 as we cover all aspects recommended to be disclosed by the QCA Code in respect of that principle, including those aspects which the QCA Code recommends be covered on our website, in this Annual Report. An index setting out where each required disclosure can be found is situated at the end of the corporate governance statement on our website at <http://www.starenergygroupplc.com/investors/corporate-governance/>

Strategy and Business Model – QCA Principle One

The Group's strategy and business model is described in the Strategic Report on [pages 1 to 17](#).

Effective Risk Management – QCA Principle Four

The Group embeds risk management throughout the organisation and this is described on [pages 14 and 15](#).

Board Balance – QCA Principle Five

See [page 26](#) for information on those Directors who are considered to be independent, the time commitment required for Directors to conduct their role and the number of meetings of the Board, its committees and the relevant Directors' attendance record. The QCA Code 2023 recommends that all directors stand for re-election annually. In an effort to begin migrating to the QCA Code 2023, all of the Directors of the Company will stand for re-election at the upcoming AGM.

Board Skills – QCA Principle Six

Information on each of the Directors is provided on [pages 22 and 23](#).

The Board, led by the Chair, has the necessary skills and knowledge to discharge their duties and responsibilities effectively, setting clear expectations and ensuring stringent measures for corporate governance standards are met, particularly in relation to executive remuneration, accountability and audit.

The Executive and Non-executive Directors' skill sets are complementary, and together provide a blend of commercial, operational, legal, and financial expertise. The skill set is suitably broad and sufficiently high calibre such that all decision making at Board level is robust and mindful of the fiduciary responsibilities that need to be discharged to all shareholders. In addition, the Directors are aware of the importance of keeping abreast of the industry's current activities and attend conferences and events throughout the year to keep their skills, contacts and knowledge current and simultaneously engage with governments, global operators and service providers in the sector.

Details of the Company's advisers can be found on the Company's website at <https://www.starenergygroupplc.com/investors/registrars-and-advisors/>.

See the corporate governance statement on our website for further details of the internal advisory responsibilities performed by certain individuals in advising and supporting the Board.

Board Effectiveness – QCA Principle Seven

The Board considered the need for an evaluation exercise during 2023 and concluded that due to changes in Board composition during the year it was inappropriate to conduct such a process at the present time but that the position should be revisited in the following year.

The Chairman has responsibility to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. It is imperative that the relationship between all Board members and Excom, remains collaborative, cordial and robust. The Board members work together in the best interests of the Company, while remaining comfortable to engage in rigorous and constructive debate. There is a strong flow of communication between the Directors, with consideration being given to both standing agenda items and the strategic and operational needs of the business.



CORPORATE GOVERNANCE STATEMENT CONTINUED

As a Board we consider the independence of all members and have an effective conflict of interests procedure in place. Any conflicts are declared by Directors at the commencement of each Board meeting and appropriate information protocols are put in place in order to govern information flows. Comprehensive board papers are circulated in advance of meetings, giving Directors due time to review the documentation and enabling an effective meeting. Minutes are drawn up to reflect the true record of the discussions and decisions made. Resulting actions are tracked for appropriate delivery and follow up.

The Board has a formal schedule of matters reserved for it to decide on, which is available on our website.

The Directors have a wide knowledge of the Company's business and understand their duties as Directors of a company quoted on AIM. The Directors have access to the Company's Nominated Adviser (Nomad), auditors and solicitors as and when required. The Company's Nomad provides annual boardroom training on the AIM Rules and its governance requirements. These advisers are available to provide formal support and advice to the Board from time to time and do so in accordance with good practice. The General Counsel and Company Secretary has frequent communication with the Chairman and is available to other members of the Board as required. The Directors are also able, at the Company's expense, to obtain advice from external advisers if required.

The Board is committed to ensuring effective succession planning. The Nomination Committee is responsible for reviewing Board and senior management succession planning to ensure that the Company has the appropriate level of skills and diversity. Where appropriate, the Nomination Committee uses external advisers to assist with candidate identification and benchmarking. The Nomination Committee reviewed the Board's composition during the year, following which Aneliya Erdly and Anthony White joined the Board as independent Non-executive Directors on 18 December 2023 and 20 December 2023 respectively. Aneliya joined the Remuneration Committee and Anthony joined the Audit Committee. On 23 January 2024, Doug Fleming stepped down from the Board and the Audit Committee. As noted in the Chairman's introduction on [page 18](#) of this Annual Report, Star Energy is committed to diversity, including gender diversity, and we have a number of women in senior management roles. Following the appointments of Aneliya and Anthony, and Doug's departure, half of the Board is comprised of female directors. Following the appointments and resignation, the Board exceeds the best practice recommendation of the QCA Code in having four independent Non-executive Directors on the Board comprising c.67% of the Board.

The Nomination Committee continues to ensure that there is a robust succession plan for the Excom and senior management positions.

The Excom and, at a more junior level, senior departmental managers address progression of employees through annual appraisals and competency reviews.

Governance and Shareholder Dialogue – QCA Principle Ten

See below for an overview of the work of the committees of the Board undertaken in 2023.

See [pages 30 to 33](#) of this Annual Report for the Remuneration Committee Report.

Consistent with previous years, this Annual Report does not include a separate Audit Committee Report. However, [page 27](#) of this Annual Report outlines the key areas of focus of the Audit Committee in the year ended 31 December 2023. The Group will keep under review whether it is necessary and appropriate to make further disclosures under the QCA Code, either through a report of the Audit Committee or more likely in sections of the next Annual Report.



How We Manage Our Company

The Board

The Board is responsible for the overall governance of the Group. Its responsibilities include reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

Read more >
on **pages 22 and 23**

Executive Committee (Excom)

The Excom is responsible for the day-to-day running of the operational business with a focus on performance management and ensuring that the Group's key performance indicators are being met.

Read more >
on **pages 24 and 25**

Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting processes and ensuring the financial statements give a true and fair view of the Company. Whilst the Board is ultimately responsible for risk management and internal controls in the Company, the Audit Committee is responsible for ensuring that executive management takes responsibility for internal controls being appropriately designed and are both efficient and effective in practice. In addition to its natural focus on the preparation of the Company's Annual Report and Accounts and condensed consolidated interim financial statements, the Audit Committee monitors the integrity of the Company's broader corporate reporting, risk management systems (including the identification of future opportunities) and internal control environment, and has a continued role in determining the Company's approach to risk and the extent to which the Company is willing to take risks.

Read more >
on **pages 26 and 27**

Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing the remuneration policy for the Executive Directors and senior managers.

Read more >
on **pages 27 and 28**

Nomination Committee

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board and ensuring the balance and expertise of the Board remains appropriate to meet the needs of the Company.

Read more >
on **page 28**



BOARD OF DIRECTORS

Driving the transition

Committee Member Key

A Audit Committee

R Remuneration Committee

N Nomination Committee

● Chair

● Member



Philip Jackson
Non-executive Chairman

Appointed 2023



Skills and Experience

Philip Jackson has over 35 years' experience in investment and corporate finance in energy and infrastructure projects. His career has included 24 years as an investment banker where he headed JP Morgan's Energy and Infrastructure businesses in Asia before setting up its \$900 million Asian infrastructure fund. Until March 2020 he was a partner of Kerogen Capital Partners Limited, a specialist investor in upstream oil, gas and renewable energy. Since then, he has focused increasingly on the path to decarbonisation and has worked closely with Star's management to chart a profitable energy supply transition, leveraging the Group's multiple relevant technical and operational skills across the energy supply chain.

He is a senior advisor to and has been asked to join the board of Arctic Green Energy Corporation (one of the world's leading geothermal district heating businesses, primarily in Asia). He is also chairman of OneWater Group Limited which provides innovative low carbon utility-scale water treatment technologies around the world. He started his career with the energy team at Ashurst LLP before moving to its client, Trafalgar House Oil & Gas.

Philip is a Fellow of the Energy Institute. He graduated with an MA in law from the University of Cambridge and qualified as a solicitor of the Supreme Court in England.



Chris Hopkinson
Chief Executive Officer

Appointed 2023



Skills and Experience

Chris is currently Non-executive Chairman of Enwell Energy an AIM-quoted oil and gas exploration and production group and a Non-executive Director of Nostrum Oil and Gas plc. He is also the founder of Astra Resources Management advising utility scale PPP Solar projects.

Chris began his career with Shell International, followed by technical and management roles with Yukos and Lukoil Overseas, before becoming Chief Executive Officer of Imperial Energy Group up until its acquisition by ONGC in 2009. He was then Vice-President Western Siberia for TNK-BP, Senior Vice-President North Africa for BG Group, Chief Executive Officer of International Petroleum Limited, and Chief Operating Officer for JSC National Company KazMunayGas.

Chris holds a BSc Honours degree in Applied Physics from St Andrews University.



Frances Ward
Chief Financial Officer

Appointed 2022

Skills and Experience

Frances is a qualified accountant with over 15 years' senior management experience within the international oil and gas sector.

Her previous experience includes 11 years at Nexen Energy in various senior finance roles in their London and Calgary offices.

Frances joined Star in 2017 as Group Financial Controller, then assuming overall responsibility for the finance function as Finance Director in July 2020 and was appointed as CFO in September 2022.





Kate Coppinger
Non-executive Director

Appointed 2022



Skills and Experience

Kate is currently Non-executive Director at Serica Energy plc, an AIM listed, independent UK natural gas producer and Plant Healthcare plc.

Kate initially worked for CIBC World Markets as a research analyst before joining Harrison Lovegrove in 2000 where she moved into transaction execution. Following the acquisition of Harrison Lovegrove by Standard Chartered Bank in September 2007, Kate continued in oil and gas M&A transactions. In 2014, she was appointed Managing Director, Oil & Gas Corporate Finance, where she was responsible for origination and execution of transactions for European clients, a position she held until leaving Standard Chartered Bank in 2020.



Doug Fleming
Non-executive Director

Appointed 2023



Skills and Experience

Doug was Chief Financial Officer at private equity backed Siccar Point Energy, an E&P company with assets in the UK sector of the North Sea.

Doug was part of the team that founded the business in 2014. Siccar Point Energy went from start-up in 2014 to production of c.9,000 boepd in 2021 before being sold to Ithaca Energy in 2022 for a consideration of up to \$1.46 billion. Prior to Siccar Point Energy, Doug held senior roles at Centrica Energy E&P and Venture Production plc.



Aneliya Erdly
Non-executive Director

Appointed 2023 (18 December)

Skills and Experience

Aneliya is a highly experienced energy executive with over 18 years in power projects execution and asset management. She brings a wealth of expertise in building from scratch and running renewable energy generation businesses, as well as in assisting businesses with their energy transition strategies.

Aneliya is currently a Strategic Advisor to NTR PLC, a successful fund manager that has invested in and built close to 3GW of renewables assets across Europe and the US. She also sits on the investment committee of Globeleq – a power industry leader with a focus on emerging markets.

Prior to this Aneliya was CEO of Silver Ridge Power, a multi-billion renewables portfolio company of Riverstone and The AES Corporation. In addition, she has held executive, non-executive and advisory positions with The AES Corporation, Trafigura, Eco Atlantic Oil and Gas, the International Finance Corporation and KPMG.



Anthony White, MBE
Non-executive Director

Appointed 2023 (20 December)

Skills and Experience

Anthony has over 35 years' experience in international power markets and low carbon economy from capital markets analytical and industry strategy roles.

His key responsibilities included being lead analyst for the top ranked energy team at investment bank, James Capel, who advised the UK Government on privatising the power sector. As Head of Citigroup's pan-European power team he also oversaw market liberalisation in other European markets. He was also National Grid's Group Head of Strategy in the 1990s.

In 2003, Anthony was one of the founders of Climate Change Capital, a specialist low carbon advisory and asset management business. He has been heavily involved in UK energy and power market policy participating in numerous UK Government advisory bodies including the Energy Advisory Panel, Commission on Environmental Markets and Economic Reform, Energy Networks Strategy Group and the Nuclear Liability Financing Assurance Board. He was awarded an MBE in 2004 for services to UK energy policy.

Anthony is currently a Non-executive Board Director of Green Energy Options and the Triple Point Energy Transition Trust.



EXECUTIVE COMMITTEE



Chris Hopkinson
Chief Executive Officer



Skills and Experience

Chris is currently Non-executive Chairman of Enwell Energy an AIM-quoted oil and gas exploration and production group and a Non-executive Director of Nostrum Oil and Gas plc. He is also the founder of Astra Resources Management advising utility scale PPP Solar projects.

Chris began his career with Shell International, followed by technical and management roles with Yukos and Lukoil Overseas, before becoming Chief Executive Officer of Imperial Energy Group up until its acquisition by ONGC in 2009. He was then Vice-President Western Siberia for TNK-BP, Senior Vice-President North Africa for BG Group, Chief Executive Officer of International Petroleum Limited, and Chief Operating Officer for JSC National Company KazMunayGas.

Chris holds a BSc Honours degree in Applied Physics from St Andrews University.



Frances Ward
Chief Financial Officer

Skills and Experience

Frances is a qualified accountant with over 15 years' senior management experience within the international oil and gas sector.

Her previous experience includes 11 years at Nexen Energy in various senior finance roles in their London and Calgary offices.

Frances joined Star in 2017 as Group Financial Controller, then assuming overall responsibility for the finance function as Finance Director in July 2020 and was appointed as CFO in September 2022.



Ross Glover
Chief Operating Officer

Skills and Experience

Appointed in 2017, Ross is responsible for both new business and project development. His current focus is leading the diversification of the Company into complementary sectors.

Prior to joining Star, he ran a UK based renewable energy project development company with a focus on onshore wind. Ross started his career in Southern Africa managing capital projects in the mineral processing and mining sector. After moving to the UK in 2003, he worked for one of the UK's largest public sector leasing and managed equipment services companies where he was responsible for corporate acquisitions, disposals and structured finance.

Ross holds a BSc in Mechanical Engineering from the University of Cape Town and an MBA from Warwick Business School.





Thamala Perera Schuetze
General Counsel and Company Secretary

Skills and Experience

Thamala is a General Counsel with over 20 years' experience. Prior to the reverse takeover of Star Energy Group Limited (then a wholly-owned subsidiary of PETRONAS) by the Company in 2011, Thamala was a member of the management team and the General Counsel of Star Energy responsible for the European Infrastructure Group of PETRONAS, with a primary focus on gas storage.

Thamala was called to the Bar of England and Wales in 2000 and during her career has held (among others) positions at the regulator, Ofgem, where she advised on electricity, gas and LNG projects and at Freshfields Bruckhaus Deringer LLP in the telecoms sector.

Thamala holds a Master of Laws (LLM) in European Law from King's College London.



Ann-marie Wilkinson
Chief of Staff

Skills and Experience

Appointed in 2013, Ann-marie is a communications and investor relations professional with over 25 years' experience in providing advice on both external and internal communications strategies.

Ann-marie has advised many energy sector companies as a financial public relations and corporate relations consultant having previously worked at M Communications, Bell Pottinger and Beattie Media. She also worked as a PRO at Smith New Court having joined from the Corporate Finance department at Touche Ross.



CORPORATE GOVERNANCE

The Directors are committed to meeting high standards of corporate governance believing that the QCA Code provides the Company with the right framework to maintain a strong level of governance.

The Company has adopted a code of dealings in securities which the Board regards as appropriate for an AIM listed company and is compliant with the UK Market Abuse Regulations. The Company takes all reasonable steps to ensure compliance by the Directors, employees and agents with the provisions of the AIM Rules relating to dealings in securities.

The Board has in place Audit, Remuneration and Nomination Committees, all of which have specific mandates contained in approved terms of reference. These cover the composition, key activities and responsibilities of the relevant committee, are reviewed annually, and can be viewed on our website. All committees are committed to reporting back to the Board following a committee meeting. The membership of each of the committees is set out below.

The Board and its Committees

Following the appointment of Doug Fleming on 4 January 2023 there were three independent Non-executive Directors on the Board. On 8 June 2023, Chris Hopkinson was appointed as Chief Executive Officer and Philip Jackson was appointed Non-executive Chairman thereby addressing the previous non-compliance with the QCA Code when Chris Hopkinson was the Interim Executive Chairman. Since then, steps have been taken to adjust and improve the balance of the Board. On 18 December 2023 and 20 December 2023, respectively the Company announced the appointment of further independent Non-executive Directors, Aneliya Erdly and Anthony White, to the Board.

Biographies of all the Directors are included within the Annual Report on [pages 22 and 23](#).

The Board retains full and effective control over the Group. The Board meets regularly to consider reports on the operational and financial performance of the Group and to decide on matters reserved unto itself, which include reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

The Board generally schedules Board meetings over the course of the financial year, with informal discussions scheduled as required. Additional meetings are held depending upon opportunities or issues to be dealt with by the Company from time to time.

The Non-executive Directors hold informal meetings during the course of the year at which members of Excom are not in attendance.

The Directors' attendance at scheduled Board meetings during 2023 is detailed in the table below:

Board Membership

Board member	Meetings attended (out of a total possible)
Philip Jackson	9/9
Chris Hopkinson	9/9
Kate Coppinger	9/9
Frances Ward	9/9
Doug Fleming	9/9

In addition to the Directors, the General Counsel and Company Secretary has been invited to attend each meeting of the Board. The Board invites other members of Excom to attend its meetings as necessary and appropriate to the agenda to be discussed at the relevant Board meeting.

The Board has the following committees each chaired by a Non-executive Director as follows:

Audit Committee

The Committee comprised only Non-executive Directors during 2023. It was chaired by Kate Coppinger and had as its other member, Doug Fleming. Anthony White became a member of the Committee following his appointment to the Board on 20 December 2023 and Doug Fleming stepped down from the Board and the Committee on 23 January 2024. The QCA Code recommends that the most effective audit committees are made up of at least two independent Non-executive Directors in order to maintain an appropriate balance of independent Non-executive Directors and ensure suitable representation and oversight by the Committee and this recommendation is met by the Company.

Meetings are aligned with the Group's financial reporting calendar and, in the year ended 31 December 2023, the Committee met on three occasions. The Chief Financial Officer is invited to attend each meeting of the Committee and participated in all of the meetings during the year. The external auditors are also invited to attend meetings of the Committee as appropriate and also meet the Committee without the presence of management at least annually.



Audit Committee Membership

The Directors' attendance at scheduled Committee meetings during 2023 is detailed in the table below:

Committee member	Meetings attended (out of a total possible)
Doug Fleming	3/3
Kate Coppinger	3/3

Summary of the Committee's Responsibilities

The Committee's responsibilities include the following:

- The Committee reviews reports from management and the Group's auditors relating to the Group's Annual Report and Accounts and the interim results announcements. The Committee advises the Board on whether the Annual Report and interim announcement are fair, balanced and understandable and provide the information necessary for Star Energy's stakeholders to assess performance against the Group's strategy;
- The Committee reviews compliance with legal requirements, accounting standards and the AIM Rules and is focused on ensuring that effective systems of internal financial and non-financial controls (including for the management of risk and whistle-blowing) are maintained. However, the ultimate responsibility for reviewing and approving the Annual Report and Accounts remains with the Board;
- The Committee keeps under review the external auditors' independence and considers the nature, scope, and results of the auditors' work and develops a policy on and reviews (reserving the right to approve) any non-audit services that are provided by the external auditors. The Committee is responsible for making recommendations to the Board on their appointment and remuneration; and
- The Committee considers the continued implications of the cost of living crisis, the war in Ukraine, conflict in Gaza and other macroeconomic effects on the market.

Key Areas of Focus in the Year Ended 31 December 2023

The Committee's particular areas of focus during the year were as follows:

- Review of the 2022 Annual Report and of the significant risks identified which included the going concern assessment, including covenant compliance, impairment of oil and gas properties, impairment of Exploration and Evaluation assets, impairment of development assets, and the decommissioning provision;
- Review of the six months ended 30 June 2023 interim results announcement and the going concern assessment, covenant compliance and impairment assessment of oil and gas properties; and
- Review and approval of the 2023 audit plan and the approach being taken by the Group's auditors towards the 2023 audit.

Remuneration Committee

In 2023, the Committee was chaired by Philip Jackson and had as its other members Kate Coppinger and Chris Hopkinson until the appointment of Aneliya Erdly on 18 December 2023. The Committee met formally on four occasions in the year ended 31 December 2023.

From time to time other Non-executive Directors, Executive Directors, members of the Excom and senior management may be invited to attend part or all of the meetings. In accordance with the Committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.



CORPORATE GOVERNANCE CONTINUED

Summary of the Committee's Responsibilities

The Committee's responsibilities include the following:

- Making recommendations to the Board on the Company's policy on the remuneration of the Chairman, Executive Directors and such other senior executives as are delegated to the Committee to consider;
- Determining, within agreed terms of reference, the remainder of the remuneration packages for each of them, including pension rights, any compensation payments and the implementation of executive incentive schemes;
- Monitoring the level and structure of remuneration for senior management;
- Reviewing the design of share incentive plans for approval by the Board and determining the policy on annual awards to Executive Directors and senior executives; and
- Reviewing progress made against performance targets and agreeing incentive awards.

Key Areas of Focus in the Year Ended 31 December 2023

The Committee's particular areas of focus during the year were as follows:

- Review of performance against the Group's key performance indicators for the year ended 31 December 2022 and recommending to the Board that a pay-out factor of 43% be applied to all employees of the Group. Staff bonuses were paid in February 2023;
- Ongoing review of long-term incentive plans and approving the issue of shares under the Management Retention Plan (MRP) in respect of the 2022 bonus payment for awards in excess of £30,000; and
- Agreeing the changes in remuneration for senior management and Executive Directors for 2023.

Nomination Committee

The Committee was chaired by Chris Hopkinson until his appointment as CEO in June 2023 and its only other member being Philip Jackson. The Committee had one formal meeting during 2023 to determine Non-executive Director appointments and, given the size of the Board, was attended by all Board members including Kate Coppinger and Doug Fleming.

Summary of the Committee's Responsibilities

The Committee's responsibilities include the following:

- Considering the size, structure and composition of the Board and Excom, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board;
- Making recommendations to the Board regarding membership of the Audit and Remuneration Committees; and
- Ensuring that plans are in place for orderly succession to the Board and senior management positions, so as to maintain an appropriate balance of skills and experience within the Group and the Board.

Key Areas of Focus in the Year Ended 31 December 2023

The principal activities of the Committee during the year were as follows:

- To continue to review the composition and widening of the Board and identify potential Non-executive Director appointments;
- Continue to ensure that appropriate succession plans are in place for Excom and senior management.



Internal Control

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures that include, inter alia, financial, operational, health & safety, compliance matters and risk management (as detailed in the Strategic Report) are reviewed on an ongoing basis.

The Group's internal control procedures include the following:

- Board approval for all significant projects, including corporate transactions and major capital projects;
- The Board receives and reviews regular reports covering both the technical progress of projects and the Group's financial affairs to facilitate its control;
- There is a comprehensive budgeting and planning system for all items of expenditure with an annual budget approved by the Board. Risk assessment and evaluation is an integral part of the annual planning cycle;
- The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of consolidated financial statements in accordance with UK-adopted International Accounting Standards; and
- The Audit Committee reviews draft annual and interim reports before recommending their publication to the Board. The Audit Committee discusses with the Chief Financial Officer and external auditors the material accounting policies, estimates and judgements applied in preparing these reports.

The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Group, does not consider it necessary at the current time.

Anti-bribery and Corruption/Ethical Conduct

The Directors take the issue of bribery and corruption seriously. The Directors acknowledge the importance of ensuring that the Company, its employees and those third parties with which the business engages are operating within the requirements of the Bribery Act. The Company has a zero-tolerance approach to bribery and corruption and has adopted an anti-bribery policy to protect the Group, its employees and those third parties with which the Company engages. Star Energy has reviewed the policies and procedures to ensure compliance with the UK Bribery Act, Modern Slavery Act and Criminal Finances Act. The Company continues actively to promote good practice and compliance throughout the Group and has continued its rolling online programme of anti-bribery and corruption and anti-facilitation of tax evasion, as well as anti-slavery and human trafficking training for all relevant employees.

The Group's Modern Slavery Statement can be accessed here: <https://www.starenergygroupplc.com/modern-slavery-transparency-statement/>

Relations with Shareholders

Communications with shareholders are considered important by the Directors. Contact with shareholders, investors and analysts is principally through the Chief Executive Officer, the Chief Financial Officer, the Chief of Staff and the Chief Operations Officer. Company circulars and press releases have also been issued throughout the year for the purpose of keeping investors informed about the Group's progress and in accordance with AIM regulations.

The Company also maintains a website (www.starenergygroupplc.com) that is regularly updated and contains a wide range of information about the Group.

See also the Company's disclosure in relation to Principle Ten in the corporate governance statement on the Company website.

Engaging with Stakeholders

The ways in which Star Energy solicits information from its stakeholder groups include, inter alia, public relations activities, regular formal contact via written communications, meetings, and conference calls. Informal contact is promoted through the use of social media where appropriate.

The Board seeks to understand the Company's stakeholders' needs, interests and expectations by ensuring open channels of communication at all times and permitting all parties to openly discuss any issues or concerns they may have with the Company.

The Company considers and acts on the information and feedback received by way of bilateral discussions or investor conference calls or RNS announcements when required.



DIRECTORS' REMUNERATION REPORT

This report explains our remuneration policy for Directors and sets out how decisions regarding Directors' pay for the period under review have been taken.

Directors' Remuneration Policy

The Company's policy is to maintain levels of remuneration sufficient to attract, motivate and retain senior executives of the highest calibre who can deliver growth in shareholder value. Executive Directors' remuneration currently consists of basic salary, pensions, benefits, annual bonus (based on annually set targets), and long-term incentives (to reward long term performance). The Company seeks to strike an appropriate balance between fixed and performance-related reward so that the total remuneration package is structured to align a significant proportion to the achievement of performance targets, reinforcing a clear link between pay and performance. The performance targets for staff, senior executives and the Executive Directors are each aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between staff, senior executives, the Executive Directors and shareholders.

The Committee aims to ensure that all employees receive rewards that fairly reflect their seniority, level of work and contribution to the Company.

The current elements of the reward package are detailed below:

Element of reward	Operation and performance conditions	Maximum opportunity
<p>Base salary</p> <p>The purpose of the base salary is to:</p> <ul style="list-style-type: none"> ● help recruit and retain key individuals; ● reflect the individual's skills, knowledge and abilities; and ● ensure fair reward for "doing the job". 	<p>The Committee reviews base salaries annually to ensure that Executive Director pay remains competitively aligned with external market practices.</p> <p>In determining whether to increase levels the Committee will take the following into consideration:</p> <ul style="list-style-type: none"> ● the performance of the individual Director; ● the individual Director's experience and responsibilities; ● impact on fixed costs of any increase; and ● pay and conditions throughout the Company. 	<p>The Committee will retain discretion to increase an individual's salary where there is a significant difference between current levels and a market competitive rate for similar positions in similar organisations (based on size, complexity and industry sector).</p>
<p>Other benefits including pension</p>	<p>The Company currently provides Executive Directors with an annual pension contribution equivalent to 7.5% of base salary but requires the Executive Directors to make annual contributions equivalent to 1.5% of basic salary, part or all of which may be waived in favour of a taxable cash payment (less offset for employers NI) if the pension contribution resulted in a breach of the Annual or Lifetime Pension Earnings Cap.</p> <p>C Hopkinson elected to opt out of the Star Energy Pension Scheme and receives an amount equivalent to 3% of Salary (subject to any tax payable) as an addition to Salary. C Hopkinson has elected not to receive private medical insurance benefits.</p> <p>Other benefits in kind include medical insurances and income protection or lump sum payments in the event of extended sickness absence, disability and/or death in service.</p>	
<p>Annual Cash Bonus</p>	<p>Executive Directors and staff are eligible to participate in a discretionary bonus plan.</p> <p>The Committee will determine on an annual basis whether a proportion of the bonus payment (currently 50% of any award in excess of £30,000) will be paid in Company shares under the 2016 Management Retention Plan (MRP).</p> <p>Maximum bonus levels and the proportion payable for target performance are considered in the light of market bonus levels for similar roles among the industry sector.</p> <p>Bonuses paid in cash (and where applicable, shares) are not pensionable.</p> <p>In terms of bonus targets a balanced scorecard approach is operated which focuses on a mixture of strategic, operational, personal, financial and non-financial metrics.</p>	<p>The percentage of maximum bonus entitlement received is based on the achievement of individually challenging targets supporting both corporate and personal objectives.</p> <p>The maximum potential bonus entitlement for Executive Directors under the plan is up to 100% of base salary.</p>



Element of reward	Operation and performance conditions	Maximum opportunity										
Executive Incentive Plan (EIP)	<p>Under the EIP adopted by the Board in March 2016, participants are granted a share award in the form of a nil-cost option, released at the end of an agreed holding period provided that the Executives remain in employment and that the Remuneration Committee are satisfied that corporate performance has been satisfactory (with reference to share price). A multiplier can also apply to this share award to ensure that management are focused on the execution of the business strategy and the creation of long-term value for shareholders.</p> <p>For the April 2021 award a multiplier was set as follows:</p> <table border="1"> <thead> <tr> <th>Share price target</th> <th>Multiplier</th> </tr> </thead> <tbody> <tr> <td>< £0.35</td> <td>0.000 x shares awarded</td> </tr> <tr> <td>£0.35 – £0.39</td> <td>0.333 x shares awarded</td> </tr> <tr> <td>£0.40 – £0.49</td> <td>0.666 x shares awarded</td> </tr> <tr> <td>£0.50 +</td> <td>1.000 x shares awarded</td> </tr> </tbody> </table> <p>No awards of restricted stock under the EIP were made in 2022.</p> <p>An award under the EIP was made in September 2023. The award will vest and become exercisable on the first anniversary of the date of grant of the options, 14 September 2024, subject to continued employment. The awards will vest on the condition that a share price of at least 15p is achieved.</p>	Share price target	Multiplier	< £0.35	0.000 x shares awarded	£0.35 – £0.39	0.333 x shares awarded	£0.40 – £0.49	0.666 x shares awarded	£0.50 +	1.000 x shares awarded	<p>Annual award to the current Executive Directors of no more than up to 100% of salary subject to a one times multiplier (i.e. the maximum number of shares which could vest is equal to up to 100% of salary) for the award made in 2021.</p>
Share price target	Multiplier											
< £0.35	0.000 x shares awarded											
£0.35 – £0.39	0.333 x shares awarded											
£0.40 – £0.49	0.666 x shares awarded											
£0.50 +	1.000 x shares awarded											
Share Investment Plan (SIP)	<p>In 2013, the Company adopted an HMRC approved Share Investment Plan for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to subscribe for up to £150 (or 10% of salary, if less) worth of Star ordinary shares per month.</p> <p>Shares are acquired on a quarterly basis and the Company automatically matches the employee contribution, acquiring matching 'Partnership' shares on a 1-to-1 basis. Subject to the Company achieving pre-defined quarterly production targets, the Company increases the Partnership share matching element for that quarter to 2-to-1. In order to receive their allocation of Company Partnership shares, employees must ordinarily remain employed by the Company for a period of three years from the date of grant of the matching award.</p>	<p>Employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of Star ordinary shares per month from gross salary.</p> <p>The Company will match the shares purchased on a 1-to-1 basis and, subject to the Company having met pre-defined quarterly production targets, will increase the matching element for that quarter to 2-to-1.</p>										

Annual Report on Remuneration

Remit of the Remuneration Committee

The remit of the Remuneration Committee (the "Committee") is provided in the Corporate Governance section.

Share price movements during the year

The Group's share price as at 31 December 2023 was 9.5p per share. The highest price during the year was 23.5p per share and the lowest share price during the year was 7.9p per share.



DIRECTORS' REMUNERATION REPORT CONTINUED

Annual Report on Remuneration continued

Current arrangements in financial year

Executive Directors

Executive Directors are employed under rolling contracts with notice periods of 12 months from the Company or Executive Director.

Directors' emoluments for the year were as follows:

Executive Director	Year ended 31 December 2023						Year ended 31 December 2022					
	Salary £000	Payment in lieu of pension £000	Bonus (Cash) £000	Bonus (Shares) £000	Pensions £000	Total £000	Salary £000	Payment in lieu of pension £000	Bonus (Cash) £000	Bonus (Shares) £000	Pensions £000	Total £000
C Hopkinson – CEO	337	6	94	64	–	501	99	–	–	–	–	99
F Ward – CFO	225	–	53	23	16	317	68	–	51	21	5	145
Total – Executive Directors	562	6	147	87	16	818	167	0	51	21	5	244

C Hopkinson was appointed as CEO on 7 June 2023 from Interim Executive Chairman.

As at 31 December 2023, the outstanding long term incentives held by the Executive Directors who served during the year are set out in the table below:

Executive Director Retention Plan

	Date of Grant	At 1 January 2023	Share Options Granted	Share Options Exercised	Share Options Lapsed	As at 31 December 2023	Earliest vesting date	Lapse date
C Hopkinson	14/09/2022	1,250,000	–	–	1,000,000	250,000	14/09/2023	14/09/2026
		1,250,000	–	–	1,000,000	250,000		

C Hopkinson was granted an award of options over a maximum of 1,250,000 ordinary shares in October 2022 in relation to his appointment as Interim Executive Chairman. Whilst the options were granted outside of the EDRP, certain rules of the EDRP apply. The scheme lapse date is 14 September 2026. Tranches 2 and 3, aggregating to 1 million options did not meet the vesting criteria.

2016 Executive Incentive Plan

	Date of Grant	At 1 January 2023	Share Options Granted	Share Options Exercised	Share Options Lapsed	As at 31 December 2023	Earliest vesting date	Lapse date
C Hopkinson	14/09/2023	–	185,000	–	–	185,000	14/09/2024	14/09/2033
		–	185,000	–	–	185,000		
F Ward	09/04/2020	225,439	–	–	225,439	–	Failed to Vest	09/04/20 23
	17/09/2020	90,251	–	–	90,251	–	Failed to Vest	09/04/20 23
	07/04/2021	150,000	–	–	–	150,000	07/04/2024	07/04/2031
	14/09/2023	–	185,000	–	–	185,000	14/09/2024	14/09/2033
		465,690	185,000	–	315,690	335,000		

2016 Management Retention Plan (Bonus Scheme Shares)

	Date of Grant	At 1 January 2023	Share Options Granted	Share Options Exercised	Share Options Lapsed	As at 31 December 2023	Earliest vesting date	Lapse date
F Ward	09/04/2020	6,915	–	–	–	6,915	22/01/2021	22/01/2028
	12/10/2022	127,473	–	–	–	127,473	28/01/2023	25/08/2030
	31/03/2023	–	106,406	–	–	106,406	06/02/2024	31/03/2031
		134,388	106,406	–	–	240,794		



Non-executive Directors

The Non-executive Directors are employed under rolling contracts with notice periods of three months, under which they are not entitled to any pension, benefits or bonuses.

	Year ended 31 December 2023		Year ended 31 December 2022	
	Emoluments £000	Total £000	Emoluments £000	Total £000
Non-executive Directors				
P Jackson ¹	75	75	59	59
C Hopkinson ²	–	–	45	45
D Fleming ³	50	50	–	–
K Coppinger ⁴	50	50	52	52
A Erdly ⁵	2	2	–	–
A White ⁶	1	1	–	–
Total – Non-executive Directors	178	178	156	156

1 Appointed as Non-executive Chairman on 7 June 2023. The Fee for P Jackson is payable to Pangaea Capital Partners Limited, a company controlled by P Jackson.

2 Appointed as Non-executive Director on 10 January 2022, Interim Executive Chairman on 14 September 2022 and appointed to CEO on 7 June 2023.

3 Appointed as Non-executive Director on 4 January 2023.

4 Appointed as Non-executive Director on 7 February 2022.

5 Appointed as Non-executive Director on 18 December 2023.

6 Appointed as Non-executive Director on 20 December 2023.



Philip Jackson

Chairman Remuneration Committee

24 April 2024



DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2023. The Corporate Governance Statement set out on pages 18 to 21 of this Annual Report forms part of this report.

Business Review and Future Developments

A review of the business and the future developments of the Group are presented in the Chairman's Statement, the Operating Review and the Financial Review, which are all sections within the Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend for the year (year ended 31 December 2022: £nil).

Change of Name

The Company changed its name from IGas Energy plc to Star Energy Group plc on 21 June 2023. The TIDM became 'STAR'.

Principal Activities

The Group's principal activities are exploring for, appraising, developing and producing oil and gas and developing geothermal projects.

Share Capital

Details of changes to share capital in the period are set out in note 24 to the consolidated financial statements.

Directors and their Interests

The Directors who served during the year were as follows:

C Hopkinson	CEO (from 7 June 2023) and Interim Executive Chairman (from 14 September 2022)
P Jackson	Non-executive Chairman (from 7 June 2023) and Non-executive
K Coppingier	Non-executive
F Ward	Chief Financial Officer
D Fleming	Non-executive (from 4 January 2023)
A Erdly	Non-executive (from 18 December 2023)
A White	Non-executive (from 20 December 2023)

The beneficial interest of each of the Directors' and their immediate families in the ordinary share capital of the Company are shown below:

	31 December 2023		31 December 2022	
	Ordinary 0.002p Shares		Ordinary 0.002p Shares	
	Number	%	Number	%
P Jackson	-	-	-	-
K Coppingier	-	-	-	-
F Ward	121,481	0.09	83,906	0.07
D Fleming	-	-	-	-
A Erdly	-	-	-	-
A White	-	-	-	-

AGM 2024

The AGM will be held at the offices of Canaccord Genuity on 12 June 2024, commencing at 10:30 a.m. The resolutions to be proposed at the AGM are set out and fully explained in the notice of AGM available on the Company's website at: <https://www.starenergygroupplc.com/investors/publications-and-reports>.

Rotation and Re-election of Directors

The QCA Code 2023 recommends that all directors stand for re-election annually. In an effort to begin migrating to the QCA Code 2023, all of the Directors of the Company will stand for re-election at the AGM.

Accordingly, in accordance with the Company's Articles of Association and the QCA Code 2023, all Directors, C Hopkinson, K Coppingier, A Erdly, A White, P Jackson and F Ward shall retire and offer themselves for re-election at the AGM on 12 June 2024.

Directors' Insurance and Indemnity Provisions

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors and Officers' insurance to indemnify the Directors and Officers against liability in respect of proceedings brought by third parties. Such provision remains in force at the date of this report.

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or Officers of any Group company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006. The nature and extent of the indemnities is as described in Section 58 of the Company's Articles of Association as adopted on 5 June 2020. These provisions remained in force throughout the period and remain in place at the date of this report.



Substantial Shareholders

As at 23 April 2024, the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules of the following significant holdings in the Company's ordinary share capital:

	Number of Shares	%
Kerogen General Partner II Limited	34,214,615	26.6
Royal London Asset Management	8,055,760	6.3
J O Hambro	7,785,000	6.0

Financial Instruments

The Group's principal financial instruments comprise cash balances, borrowings, derivative instruments and other debtors and creditors that arise through the normal course of business as set out in note 23 to the consolidated financial statements. The Group's financial risk management objectives are also set out in note 23 to the consolidated financial statements.

Employment Policy

It is the policy of the Group to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success.

Political Contributions

The Group made no political donations during the year (year ended 31 December 2022: £nil).

Status

The Company is not a close company as defined in the Income and Corporation Taxes Act 1988.

The Company is domiciled in the UK and incorporated and registered in England.

Board Committees

Information on the Audit, Remuneration and Nomination Committees is included in the Corporate Governance Statement in this Annual Report.

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as independent auditors will be proposed at the AGM on 12 June 2024.

Directors' Statement as to Disclosure of Information to the Auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that a Director might reasonably be expected to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Thamala Perera Schuetze

General Counsel and Company Secretary

Star Energy plc

Registered Office:

Welton Gathering Centre

Barfield Lane off Wragby Road

Sudbrooke

Lincoln

LN2 2QX

Registered in England (company number: 04981279)

24 April 2024



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 Group and the Company financial statements in accordance with UK-adopted international accounting standards.

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 Group and the Company and of the profit or loss of the Group 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 UK-adopted international accounting standards 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 Group and the Company will continue in business.

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

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 Group's and 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 Group's and Company's auditors are aware of that information.

On behalf of the Board,

Chris Hopkinson
Chief Executive Officer

24 April 2024



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAR ENERGY GROUP PLC (PREVIOUSLY I GAS ENERGY PLC)

Report on the audit of the financial statements

Opinion

In our opinion, Star Energy Group plc (previously I Gas Energy plc)'s Group financial statements and Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss and the Group's and Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2023 (the "Annual Report"), which comprise: the Consolidated and Parent Company Balance Sheets as at 31 December 2023; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Cash Flow Statements and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 Group 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We scoped in all components for the purpose of the Group audit.
- This enabled us to obtain coverage of 100% of the Group's consolidated revenue, consolidated comprehensive loss for the year and consolidated total assets.

Key audit matters

- Carrying value of conventional oil and gas assets (Group)
- Carrying value of development costs (Group)
- Acquisition accounting (Group)
- Carrying value of the decommissioning provision (Group)
- Carrying value of Investments in subsidiaries and amounts due from subsidiary undertakings (Parent Company)

Materiality

- Overall Group materiality: £1,400,000 (2022: £1,400,000) based on 0.98% of total assets.
- Overall Parent Company materiality: £190,000 (2022: £207,000) based on 0.49% of net assets.
- Performance materiality: £1,050,000 (2022: £1,050,000) (Group) and £142,500 (2022: £155,000) (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAR ENERGY GROUP PLC (PREVIOUSLY IGAS ENERGY PLC) CONTINUED

Our audit approach continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Acquisition accounting (Group) is a new key audit matter this year. Carrying value of exploration and evaluation assets (Group), which was a key audit matter last year, is no longer included because of changes to our risk assessment due to the significant impairments recognised in 2022 resulting in relatively low levels of uncertainty relating to the valuation of the remaining licences. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

How our audit addressed the key audit matter

Carrying value of conventional oil and gas assets (Group)

Refer to note 1 Accounting policies and note 10 Property, plant and equipment.

As at 31 December 2023, the carrying value of oil and gas assets totalled £72.9 million (2022: £73.3 million).

For oil and gas assets, IAS 36 requires management to consider whether there are indicators of an impairment or the reversal of a previously recognised impairment on a CGU basis and if any are identified, to carry out a full impairment assessment of the relevant assets. Management performed the assessment as of 31 December 2023 and concluded there were indicators of impairment.

Management carried out a full impairment assessment by comparing the carrying value of the CGUs to the respective recoverable amount which is the higher of an asset's fair value less costs of disposal and its value in use. The Group 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.

Impairment assessments and impairment trigger reviews under IAS 36 require significant judgement and estimation and there is a risk that the recoverable amounts of the CGUs may be incorrect, and any potential impairment charge or reversal misstated.

As such, this was a key area of focus for our audit due to the material nature of the respective balances and the estimates and judgements involved.

We obtained management's assessment for indicators of impairments or the reversal of prior year impairments and performed the following procedures:

- assessed the appropriateness of management's identification of the Group's CGUs;
- understood and evaluated management's processes in respect of the impairment trigger assessment process; and
- evaluated and challenged management's assessment and judgements in respect of impairment reversal indicators.

As a result of our work, we concurred with management's conclusion that there were indicators of impairment and that a full impairment assessment was required.

We have performed the following procedures to audit management's impairment model and the key assumptions used in management's assessment:

- evaluated the cash flow forecasts and the process by which they were drawn up, compared them to the latest board approved budget and verified the mathematical accuracy of the impairment model;
- used our independent valuation experts to assist us in evaluating the appropriateness of key market related assumptions, being oil prices and discount rates, in management's valuation model, and concluded that management's oil price assumptions and discount rate are within our experts' acceptable range;
- compared production forecasts in the impairment model to the independent reserves report prepared by DeGolyer and MacNaughton (D&M) in January 2024;
- held discussions with D&M regarding the key judgements and estimates considered during the preparation of the reserves report;
- assessed the competence and objectivity of D&M by considering factors including professional qualifications and the experience of their team;
- compared operating expenses, including the possible impact of climate change, and capital expenditure considered in the cash flows to prior years and management's forecasts; and
- verified that the exchange rate used is comparable with the actual exchange rate as at 31 December 2023 and historical exchange rates.

Finally, we considered the adequacy of management's disclosures in relation to the impairment assessment in note 10, including the sensitivity analysis, and concluded that these are in line with the requirements of IAS 36.

As a result of our work performed, we are satisfied that management's impairment assessment of oil and gas assets is appropriate and in line with IAS 36. We are satisfied with management's decision not to reverse the impairments recognised in prior years.



Our audit approach continued

Key audit matters continued

Key audit matter

Carrying value of development costs (Group)

Refer to note 1 Accounting policies and note 9 Intangible assets.

As at 31 December 2023, the carrying value of the Group's development costs was £7.0 million (2022: £3.7 million) including £2.5 million recognised on acquisition of the subsidiary during the year.

Development costs are intangible assets which are currently not available for use within the scope of IAS 36 and hence should be tested for impairment at least annually or sooner when circumstances indicate that the carrying value may be impaired. As disclosed in note 9, management reviewed the carrying value of development costs for impairment as at 31 December 2023 and noted no impairment.

We focused on this area due to the material nature of the balance and the estimates and judgements involved in assessing any potential impairment.

How our audit addressed the key audit matter

We obtained management's impairment assessment prepared in accordance with IAS 36 and performed the following audit procedures:

- validated to external and internal sources the inputs used in management's discounted cash flow model and the underlying assumptions including price/MWh, demand, capital expenditure and the discount rate used in the determination of the recoverable amount by verifying to underlying supporting evidence;
- used our independent valuation experts to assist us in evaluating the appropriateness of the discount rate used in management's valuation model, and concluded that management's discount rate is within our experts' acceptable range; and
- evaluated management's qualitative assessment of the status of the project, which included consideration of government policies and regulatory approvals as well as the technological feasibility and overall viability of the projects.

We also considered the adequacy of management's disclosures in relation to the impairment assessment in note 9. These were deemed to be in line with the requirements of IAS 36.

Acquisition accounting (Group)

Refer to note 1 Accounting policies and note 22 Acquisition of a subsidiary.

In August 2023, the Group acquired control of a geothermal business in Croatia, through the acquisition of a 51% interest in A14 Energy Limited, for £1.3 million cash and £0.9m contingent consideration; A14 Energy Limited owns, through its subsidiary, IGeoPen d.o.o., the Ernestinovo exploration licence.

Accounting for acquisitions is complex and involves judgement including around the assessment of the fair value of assets acquired and liabilities assumed.

Since the Group had acquired an identifiable set of inputs, processes and outputs, it was concluded that the acquisition was a business combination. Accordingly, all assets acquired, and liabilities assumed, have been recorded at fair value on the date of acquisition.

As a result of this acquisition, management have recognised an intangible asset, relating to the Ernestinovo licence, goodwill, contingent consideration and a non-controlling interest.

This was a key area of focus for our audit due to the material nature of these respective balances and the estimates and judgements involved in arriving at the amounts recognised.

Our audit procedures in respect of the acquisition comprised the following:

- reading the sale and purchase agreement to gain an understanding of the assets acquired, liabilities assumed and the overall nature of the transaction;
- ensuring the accounting is in accordance with IFRS 3 (amended) and that the acquisition met the definition of a 'business'; and
- agreeing cash consideration to bank statements.

In order to assess whether the fair value attributed to the identifiable assets and liabilities was accurate, the following procedures were performed:

- determined the reasonableness of management's assessment to consider the transaction cost as the fair value of the share of the business acquired by the Group;
- understood management's valuation of the business by comparing the assumptions used within the valuation models to management's acquisition due diligence and other evidence of future intentions for the relevant assets;
- we assessed the reasonableness of management's allocation of the purchase consideration to the Ernestinovo exploration licence and other assets and liabilities acquired based on their relative fair value;
- benchmarked key assumptions against external data;
- performed sensitivity analysis over the likelihood of the successful award of each bid and the potential impact of a range of possible outcomes on the contingent consideration; and
- assessed the completeness of assets and liabilities included within the valuation and agreed that all relevant balances have been included.

We also reviewed the related disclosures in the notes to the financial statements for compliance with accounting standards and consistency with the results of our work, with no matters arising.

Based on our audit procedures performed, we consider the accounting for the acquisition and the related valuation of the licences and other assets acquired, and liabilities assumed, to be reasonable.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAR ENERGY GROUP PLC (PREVIOUSLY IGAS ENERGY PLC) CONTINUED

Our audit approach continued

Key audit matters continued

Key audit matter

Carrying value of the decommissioning provision (Group)

Refer to note 1 Accounting policies and note 19 Provisions.

As at 31 December 2023, the carrying value of the decommissioning provision was £62.4 million (2022: £62.8 million).

The extent and timing of actual outflows incurred in the future may differ due to changes in law, regulations, technology, prices and conditions at the time of decommissioning. The decommissioning provision involves significant estimation and judgement – particularly in the cost and timing of decommissioning, as well as inflation and discount rates – which underpins both the fair value of the provision at 31 December 2023 and the discount unwind to the income statement over the year.

As the decommissioning provision is highly material and considering the judgements involved, this was a key area of focus for our audit.

How our audit addressed the key audit matter

We obtained management's decommissioning provision calculation and assessed the reasonableness of each of the key assumptions.

As part of our audit procedures, we have:

- assessed the completeness of the number of wells included in management's estimate by comparing with management's underlying well register;
- assessed management's cost per well estimate against the results of the actual decommissioning costs incurred during the year;
- verified the work performed by management's experts on estimating the cost for decommissioning and challenged them on the estimates used;
- assessed the objectivity, independence and competency of management's experts;
- benchmarked management's discount rate with the Bank of England risk free rate and compared the inflation rate with industry practice and available forecasts; and
- tested the mathematical accuracy and methodology of the decommissioning model, assessing the application of cost, timing, inflation and discount rate assumptions when calculating the final provision.

Based on the procedures performed we concur with management that their assessment of the decommissioning provision is reasonable.

We have assessed management's disclosures and consider the disclosures made to be in accordance with IFRS and to present the sensitivities relevant to the provision appropriately.



Our audit approach continued

Key audit matters continued

Key audit matter

Carrying value of Investments in subsidiaries and amounts due from subsidiary undertakings (Parent Company)

Refer to note 1 Accounting policies, note 2 Investments in subsidiaries and note 4 Trade and other receivables in the Parent Company financial statements.

As at 31 December 2023, the carrying value of the Parent Company's Investments in subsidiaries was £33.2 million (2022: £195.1 million), comprising £33.2 million (2022: £33.1 million) of Investments in subsidiaries and Nil (2022: £162.0 million) loans to Group companies; in addition, there were amounts due from subsidiary undertakings of £17.4 million (2022: £27.8 million) (net of expected credit loss).

We focused on this area due to the material nature of the balance and the estimates and judgements involved in assessing any potential impairment.

How our audit addressed the key audit matter

In respect of the Parent Company's investments in subsidiaries and amounts due from subsidiary undertakings, we evaluated and challenged management's assessment of the carrying values.

In evaluating management's impairment assessment of the Parent Company's investments in subsidiaries and amounts due from subsidiary undertakings, we have:

- evaluated management's determination of whether any indicators of impairment existed by comparing the carrying value of Investments in subsidiaries to the market capitalisation of the Group at 31 December 2023 and agreed that an impairment assessment was necessary;
- obtained management's assessment which included comparing the fair value of the net assets of each entity with the carrying value of the Parent Company's investments and amounts due from subsidiary undertakings to determine if there is an impairment or a credit loss allowance, respectively, to be recognised;
- evaluated management's assessment of the expected credit loss on the Parent Company's amounts due from subsidiary undertakings by assessing their potential recovery scenario performed in accordance with IFRS 9 'Financial Instruments';
- verified the mathematical accuracy of the calculations; and
- considered the adequacy of the disclosures made.

Based on the procedures performed we concur with management that, after impairment and credit loss allowance, the carrying value of Investments in subsidiaries is supportable and the disclosures are adequate.

We have assessed management's disclosures and consider the disclosures made to be in accordance with IFRS.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAR ENERGY GROUP PLC (PREVIOUSLY IGAS ENERGY PLC) CONTINUED

Our audit approach continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured along three segments being 'oil and gas', 'geothermal' and 'unallocated', which comprises mainly corporate assets and head office expenses. For the purposes of financial reporting, the Group considers two reporting components – the Parent Company financial statements and the Group financial statements where all of the Group's operations are together viewed as one reporting component. All of the Group's operating businesses are located in the UK except the newly acquired geothermal business which is located in Croatia. All the Group entities have central management and centralised processes and controls and therefore our audit work was conducted solely in the UK.

We scoped in both reporting components for the purpose of the Group audit. This gave us 100% coverage over the Group's consolidated revenue, consolidated comprehensive loss for the year and consolidated total assets and gave us the evidence we needed for our opinion on the Group financial statements as a whole.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand their process to assess the extent of the potential impact of climate change risks on the Group and its financial statements. We used our knowledge of the Group to consider the completeness of the risk assessment performed by management, giving consideration to both physical and transition risks, and management's own reporting and announcements. Management recognises that the changes in laws, regulations, policies, obligations and social attitudes relating to the transition to a lower carbon economy could lead to higher costs, or reduced demand and prices for hydrocarbons, impacting the profitability of the Group. This is a strategic risk which the Group is mitigating by working closely with regulators to ensure that all required planning consents and permits for operations are in place and by maintaining continual dialogue with all stakeholders to understand emerging requirements. The Board actively reviews the Group's strategy to ensure it remains relevant and will provide long-term returns to shareholders. The Group's strategy includes diversification into the geothermal energy market which it believes can form a key part of the UK's transition to net zero in 2050, developing a competitive advantage and distinguishing the Group from its peers. Whilst the impact is uncertain, we particularly considered the impact of both physical and transition risks arising due to climate change on the recoverable value of the Group's oil and gas properties. We also read the disclosures made in relation to climate change, in the other information within the Annual Report, and considered their consistency with the financial statements and our knowledge from our audit.



Our audit approach continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Parent Company
Overall materiality	£1,400,000 (2022: £1,400,000).	£190,000 (2022: £207,000).
How we determined it	0.98% of total assets	0.49% of net assets
Rationale for benchmark applied	This benchmark reflects the Group's primary focus to continue to enlarge its assets through significant investment in its producing and development assets, and that the Group's value is contained within the hydrocarbon reserves. We used judgement to cap our materiality at £1,400,000.	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. We used judgement to cap our materiality at £190,000.

The range of materiality allocated across components was £190,000 to £1,400,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £1,050,000 (2022: £1,050,000) for the Group financial statements and £142,500 (2022: £155,000) for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £70,000 (Group audit) (2022: £70,000) and £9,500 (Parent Company audit) (2022: £10,300) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- checking the mathematical accuracy of management's cash flow forecasts;
- challenging and evaluating management's underlying cash flow projections including comparing forecast sales volumes, operating costs, capital expenditure and decommissioning expenditure to recent actual results and internal forecasts and comparing forecast future oil prices and foreign exchange rates to external data;
- assessing the reasonableness of management's downside case, including assessing management's ability to take mitigating actions, including delaying capital expenditure and reducing costs;
- evaluating the terms and conditions of the new financing facility including assessing compliance with covenants in the base case and downside scenario; and
- reviewing the completeness and appropriateness of management's going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STAR ENERGY GROUP PLC (PREVIOUSLY IGAS ENERGY PLC) CONTINUED

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.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2023 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 Group and the Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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' responsibilities in respect of the financial statements, 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 Group's and the Parent 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 Group or the Parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK oil and gas regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates (as outlined further in the "Key audit matters" section of this report); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or unusual words.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.



Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements continued

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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. 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 Parent 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.

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 obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent 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 Parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Timothy McAllister (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

24 April 2024



CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2023

	Note	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Revenue	2	49,466	59,171
Cost of sales:			
Depletion, depreciation and amortisation	3	(8,241)	(6,302)
Other costs of sales		(24,135)	(24,019)
		(32,376)	(30,321)
Gross profit		17,090	28,850
Administrative expenses		(7,290)	(6,215)
Research and non-capitalised development costs		(2,002)	(114)
Exploration and evaluation assets written off	9	(456)	(30,018)
Impairment of goodwill	9	(130)	-
Oil and gas assets impairment	10	-	(10,457)
Reversal of oil and gas assets impairment	10	-	10,489
Loss on derivative financial instruments	4	(25)	(6,027)
Other income		8	159
Operating profit/(loss)	3	7,195	(13,333)
Finance income	6	177	8
Finance costs	6	(4,603)	(5,091)
Profit/(loss) before tax		2,769	(18,416)
Income tax (charge)/credit	7	(8,260)	6,638
Loss after tax		(5,491)	(11,778)
Attributable to:			
Owners of the Parent Company		(4,493)	(11,778)
Non-controlling interest		(998)	-
		(5,491)	(11,778)
Loss per share attributable to equity shareholders:			
Basic loss per share	8	(3.52p)	(9.35p)
Diluted loss per share	8	(3.52p)	(9.35p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Loss for the year	(5,491)	(11,778)
Other comprehensive income for the year:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign exchange differences on translation of foreign operations	19	-
Total comprehensive loss for the year	(5,472)	(11,778)
Total comprehensive loss attributable to:		
Owners of the Parent Company	(4,477)	(11,778)
Non-controlling interest	(995)	-
	(5,472)	(11,778)

The notes on pages 50 to 82 form an integral part of these financial statements.



CONSOLIDATED BALANCE SHEET

as at 31 December 2023

	Note	31 December 2023 £000	31 December 2022 £000
ASSETS			
Non-current assets			
Intangible assets	9	13,823	9,268
Property, plant and equipment	10	73,994	74,731
Right-of-use assets	12	7,426	7,383
Restricted cash	15	–	410
Deferred tax asset	7	37,192	44,813
		132,435	136,605
Current assets			
Inventories	13	1,522	1,667
Trade and other receivables	14	7,067	7,098
Cash and cash equivalents	15	3,855	3,092
Restricted cash	15	410	–
Derivative financial instruments	23	–	525
		12,854	12,382
Total assets		145,289	148,987
LIABILITIES			
Current liabilities			
Trade and other payables	17	(10,971)	(8,264)
Corporation tax payable	7	(1,099)	–
Borrowings	18	(5,358)	(3,325)
Lease liabilities	12	(865)	(738)
Provisions	19	(2,236)	(6,840)
		(20,529)	(19,167)
Non-current liabilities			
Borrowings	18	–	(5,418)
Other payables	17	–	(369)
Lease liabilities	12	(6,981)	(7,042)
Provisions	19	(62,906)	(58,716)
		(69,887)	(71,545)
Total liabilities		(90,416)	(90,712)
Net assets		54,873	58,275
EQUITY			
Capital and reserves			
Called up share capital	24	30,334	30,334
Share premium account	24	103,189	103,068
Foreign currency translation reserve		3,815	3,799
Other reserves	25	38,324	37,617
Accumulated deficit		(121,036)	(116,543)
Equity attributable to owners of the Company		54,626	58,275
Non-controlling interest		247	–
Total equity		54,873	58,275

These financial statements on pages 46 to 82 were approved and authorised for issue by the Board on 24 April 2024 and are signed on its behalf by:



Chris Hopkinson
Chief Executive Officer



Frances Ward
Chief Financial Officer

The notes on pages 50 to 82 form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Called up share capital (note 24) £000	Share premium account (note 24) £000	Foreign currency translation reserve* £000	Other reserves** (note 25) £000	Accumulated deficit £000	Equity attributable to owners of the Company £000	Non- controlling Interest (note 22) £000	Total equity £000
At 1 January 2022	30,333	102,992	3,799	36,257	(104,765)	68,616	-	68,616
Loss for the year	-	-	-	-	(11,778)	(11,778)	-	(11,778)
Share options issued under the employee share plan (note 25)	-	-	-	1,360	-	1,360	-	1,360
Issue of shares (note 24)	1	76	-	-	-	77	-	77
At 31 December 2022	30,334	103,068	3,799	37,617	(116,543)	58,275	-	58,275
Loss for the year	-	-	-	-	(4,493)	(4,493)	(998)	(5,491)
Acquisition of subsidiary with non-controlling interest (note 22)	-	-	-	-	-	-	1,242	1,242
Share options issued under the employee share plan (note 25)	-	-	-	707	-	707	-	707
Issue of shares (note 24)	-	121	-	-	-	121	-	121
Currency translation adjustments	-	-	16	-	-	16	3	19
At 31 December 2023	30,334	103,189	3,815	38,324	(121,036)	54,626	247	54,873

* The foreign currency translation reserve includes an amount of £3,799 thousand (2022: £3,799 thousand) in respect of exchange gains and losses on translation of net assets and results, and intercompany balances, which formed part of the net investment of the Group, in respect of subsidiaries which previously operated with a functional currency other than UK pound sterling.

** Other reserves include: 1) Share plan reserves comprising a EIP/MRP/EDRP reserve representing the cost of share options issued under the long-term incentive plans and share incentive plan reserve representing the cost of the partnership and matching shares; 2) a treasury shares reserve which represents the cost of shares in Star Energy Group plc purchased in the market to satisfy awards held under the Group incentive plans (see note 25); 3) a capital contribution reserve which arose following the acquisition of IGas Exploration UK Limited (see note 25); and 4) a merger reserve which arose on the reverse acquisition of Island Gas Limited (see note 25).

The notes on [pages 50 to 82](#) form an integral part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2023

	Note	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Cash flows from operating activities:			
Profit/(loss) before tax		2,769	(18,416)
Depletion, depreciation and amortisation	3	8,291	6,338
Abandonment costs/other provisions utilised or released		(2,186)	(2,579)
Share-based payment charge		633	934
Exploration and evaluation assets written off	9	456	30,018
Impairment of goodwill	9	130	-
Reversal of oil and gas assets impairment	10	-	(10,489)
Oil and gas assets impairment	10	-	10,457
Unrealised loss/(gain) on oil price derivatives	4	525	(1,934)
Gain on sale of fixed assets		(8)	-
Finance income	6	(177)	(8)
Finance costs	6	4,603	5,091
Operating cash flows before working capital movements		15,036	19,412
Decrease/(increase) in trade and other receivables and other financial assets		1,482	(1,607)
Increase in trade and other payables		553	919
Decrease/(increase) in inventories		145	(575)
Net cash generated from operating activities		17,216	18,149
Cash flows from investing activities:			
Purchase of intangible exploration and evaluation assets		(343)	(516)
Purchase of property, plant and equipment		(7,547)	(7,196)
Purchase of intangible development assets		(619)	(202)
Acquisition of subsidiary, net of cash acquired	22	(1,282)	-
Proceeds from disposal of property, plant and equipment		152	-
Interest received	6	24	8
Net cash used in investing activities		(9,615)	(7,906)
Cash flows from financing activities:			
Cash proceeds from issue of ordinary share capital	24	42	44
Repayment of Reserves Based Lending facility	15	(3,284)	(7,985)
Repayment of principal portion of lease liabilities	12	(1,255)	(1,059)
Repayment of interest on lease liabilities	12	(727)	(707)
Interest paid	15	(1,384)	(950)
Net cash used in financing activities		(6,608)	(10,657)
Net increase/(decrease) in cash and cash equivalents in the year		993	(414)
Net foreign exchange differences	15	(230)	217
Cash and cash equivalents at the beginning of the year		3,092	3,289
Cash and cash equivalents at the end of the year	15	3,855	3,092

The notes on pages 50 to 82 form an integral part of these financial statements.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES

for the year ended 31 December 2023

1 Accounting Policies

This note provides a list of the potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation of Financial Statements

The consolidated financial statements of Star Energy Group plc (formerly known as IGas Energy plc) and subsidiaries (the “Group”) have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements were approved by the Board and authorised for issue on 24 April 2024. Star Energy Group plc is a public limited company (limited by shares) incorporated and registered in England, United Kingdom, and listed on the Alternative Investment Market (AIM).

The Group financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at each reporting date. The Group financial statements are presented in UK pounds sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated. Prior year numbers have been reclassified, where necessary, to conform to the current year presentation.

Subsidiary Undertakings Exemption from Audit

For the year ending 31 December 2023, the subsidiaries listed below were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The exemption requires Star Energy Group plc to guarantee the liabilities of these subsidiaries, which are as follows:

IGas Energy Limited (formerly known as Star Energy Group Limited) – 05054503
 Star Energy Limited – 03806814
 Star Energy Weald Basin Limited – 06293763
 IGas Energy Enterprise Limited – 05457589
 Island Gas Limited – 04962079
 Island Gas (Singleton) Limited – 01021095
 Dart Energy (Europe) Limited – SC259898
 Dart Energy (East England) Limited – 06760546
 IGas Energy Production Limited – SC298739
 Dart Energy (West England) Limited – 06760557
 IGas Energy Development Limited – 07240286
 GT Energy UK Limited – 08451346
 GT Energy Croatia Limited – 15019171

New and Amended IFRS Standards that are Effective for the Current Year

During the year, the Group adopted the following new and amended IFRSs for the first time for their reporting period commencing 1 January 2023:

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the standards listed above did not have a material impact on the financial statements of the Group.

New and Revised IFRS Standards in Issue but not yet Effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

In addition, IFRS 18 Presentation and Disclosure in Financial Statements was issued on 9 April 2024, effective for periods beginning on or after 1 January 2027. We are in the process of assessing the impact of this newly issued standard on our future financial statements.



1 Accounting Policies continued

(b) Going Concern

The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are prepared on a monthly basis 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. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, fluctuations of sterling and reductions in forecast oil and gas production rates.

We have prepared our going concern assessment for the period to 30 September 2025.

Crude oil prices saw a decline in 2023 compared to 2022. The higher prices prevailing during 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. Prices increased in H2 2023 but remained below those seen in 2022. More recently, geopolitical tensions, including the prospect of a wider conflict in the Middle East and attacks on Russian refineries have led to concerns over supply disruption which, together with an extension of OPEC output cuts through to June 2024, have led to higher prices in 2024.

The Group has generated strong operating cash flows in 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 the availability of the monies drawn under its loan facility, which is dependent on the Group not breaching the facility's covenants. In respect of the latter, the Group successfully completed a €25 million financing facility with Kommunalkredit, Austria in March 2024, securing funds to repay the outstanding balance on its RBL facility which was due to mature at the end of June 2024, and providing funding for its energy transition strategy.

The Group's base case cash flow forecast was run with average oil prices of \$85/bbl for 2024, falling to \$80/bbl for H1 2025 and \$77/bbl for H2 2025, and a foreign exchange rate of an average \$1.26/£1 for 2024 and \$1.27/£1 for 2025. In this base case scenario, our forecasts show that the Group will have sufficient financial headroom to meet the applicable financial covenants over the going concern assessment period.

Management has also prepared a downside case with average oil prices at \$85/bbl for H1 2024 and \$81/bbl for H2 2024, falling to \$76/bbl for H1 2025 and \$73/bbl for H2 2025. We used an average exchange rate of \$1.26/£1 for H1 2024, \$1.29/£1 for H2 2024 and \$1.30/£1 for 2025. Our downside case also included an average reduction in production of 5% over the period. In the event of a downside scenario, management would take mitigating actions including delaying capital expenditure and reducing costs, in order to remain within the Group's financial covenants over the remaining facility period, should such actions be necessary. All such mitigating actions are within management's control. In this downside scenario including mitigating actions, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants over the going concern assessment period. Management remain focused on maintaining a strong balance sheet and funding to support our strategy.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for at least the next 12 months from the date of the approval of the Group financial statements and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

(c) Basis of Consolidation

The consolidated financial statements present the results of Star Energy Group plc and its subsidiaries as if they formed a single entity. The financial statements of subsidiaries used in the preparation of consolidated financial statements are based on consistent accounting policies to the Parent Company. All intercompany transactions and balances between Group companies, including unrealised profits arising from them, are eliminated in full. Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, it is treated as an extension of the entity.

At 31 December 2023, the Group comprised the Company and entities controlled by Star Energy Group plc (its subsidiaries). Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

1 Accounting Policies continued**(d) Business Combinations**

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets transferred, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are, with limited exceptions, recognised at their fair value at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement. Acquisition costs are expensed in the income statement.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments are accounted for depending on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is re-measured to fair value at subsequent reporting dates with changes in fair value recognised in the income statement.

(e) Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) Joint Arrangements

Certain of the Group's licence interests are held jointly with others under arrangements whereby unincorporated and jointly controlled ventures are used to explore, evaluate and ultimately develop and produce from its oil and gas interests. Accordingly, the Group accounts for its share of assets, liabilities, income and expenditure of these joint operations, classified in the appropriate balance sheet and income statement headings, except where its share of such amounts remain the responsibility of another party in accordance with the terms of carried interests as described at (i) below.

Where the Group enters into a farm-in agreement involving a licence in the exploration and evaluation phase, the Group records all costs that it incurs under the terms of the joint operating agreement as amended by the farm-in agreement as they are incurred.

Where the Group enters into a farm-out agreement involving a licence in the exploration and evaluation phase, the Group does not record any expenditure made by the farmee on its account. It also does not immediately recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

(g) Significant Accounting Judgements and Estimates

The preparation of the Group's consolidated financial statements in conformity with IFRSs 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 consolidated financial statements, and the reported amounts of revenues and expenses during the financial year. 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 Group 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 a future financial year. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

Estimates:**Recoverable Value of Intangible Assets**

The Group has capitalised intangible exploration and evaluation assets in accordance with IFRS 6. Significant judgement is required in considering whether it is appropriate to continue to carry these costs on the balance sheet or whether the assets have been impaired. The key areas in which management has applied judgement and estimation include the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal or plans for relinquishment, the assessment of results from wells or geological or geophysical studies, the likely impact of political factors including planning permissions and the assessment of whether the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. Details of the Group's intangible exploration and evaluation assets are disclosed in note 9 to the financial statements.



1 Accounting Policies continued

(g) Significant Accounting Judgements and Estimates continued

Estimates continued:

Recoverable Value of Intangible Assets continued

The Group has also capitalised intangible development costs which are assessed at each reporting financial year end to determine whether there is any impairment. The assessment requires the use of estimates and assumptions such as long-term prices, discount rates, heat generation capacity and capital expenditure. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable value of intangible development costs. Details of the Group's capitalised development costs are disclosed in note 9 to the financial statements.

Recoverable Value of Property, Plant and Equipment

Management reviews the Group's property, plant and equipment at least annually for impairment indicators which includes significant judgement. Where indicators are identified, the determination of recoverable amounts requires significant estimation around key assumptions which include those related to GBP to US dollar foreign exchange rates, the impact of climate change on cash flows and 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 (discussed below) and future production. Details of the Group's property, plant, and equipment are disclosed in note 10 to the financial statements.

Proved and Probable Reserves and Contingent Resources

The volume of proved and probable oil and gas reserves is an estimate that affects the unit of production depletion of producing oil and gas assets as well as being a significant estimate affecting decommissioning provisions and impairment calculations. Contingent resources affect the estimation of the recoverable value of exploration and evaluation assets in impairment tests. Proved and probable reserves and contingent resources 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.

Deferred Tax Asset Recognition

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which losses can be utilised. Determining the amount of deferred tax assets that can be recognised requires an estimation of the likely timing and the level of future taxable profits based on cash flows expected to be generated from internal estimates of projected production and costs along with consideration of future tax planning strategies. Details of the Group's deferred tax assets, including those not recognised due to uncertainty regarding the future utilisation, are disclosed in note 7 to the financial statements.

Decommissioning Costs

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed periodically and is based on multiple factors including any changes to the applicable legal framework, estimates of the extent and costs of decommissioning activities, learnings from decommissioning performed at the Group's other producing fields and the emergence of new technology and restoration techniques. 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 Group's decommissioning provisions are disclosed in note 19 to the financial statements.

Judgements:

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 underlying transactions, events and conditions, which determines the primary economic environment. Whilst the majority of the Group's revenue and all of the borrowings are denominated in USD, the Group has determined that the functional currency of the parent entity and for most of the Group entities is UK pound sterling, given the majority of the Group's operations are carried out in the UK and the majority of its operational transactions other than revenue and borrowings are denominated in that currency.

Capitalisation of Development Costs

The Group undertakes geothermal development activity and projects which can be at various stages in their project lifecycle during a reporting period. Management applies significant judgement to assess at what stage activity on these projects becomes development work that meets the criteria for capitalisation, in line with the requirements of paragraph 57 of IAS 38. See note 9 for the details of the Group's capitalised development costs. Activity in the early stages of the projects is classified as research or non-capitalised development costs and are expensed in the income statement.

(h) Revenue

Revenue comprises the invoiced value of goods and services supplied by the Group, 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 customers and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. In the case of oil, gas and electricity 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. There are no other performance obligations for the Group under the sale contracts other than the sale of goods to the customer upon their delivery.

Revenue from the production of oil from fields in which the Group has an interest with other producers, is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. Where oil produced by third parties is processed and delivered to a refinery by the Group, the measurement of the revenue depends upon whether physical title to the oil passes to the Group or whether the Group simply acts as an agent for the producer.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

1 Accounting Policies continued**(i) Non-current Assets****Development Costs**

Acquired development costs are initially recorded at cost, which is their fair value on acquisition date. After initial recognition, capitalised development costs are recorded at cost less accumulated impairment losses, as applicable, and represent costs incurred for the design and development of deep geothermal heat projects.

Costs on development activities are capitalised if the project is technically and commercially feasible, the entity intends and has the technical ability and sufficient resources to complete development, future benefits are probable and if the entity can measure reliably the expenditure attributable to the intangible assets during its development. Expenditure capitalised includes direct labour, costs directly relating to the project such as geological studies and planning permits and an appropriate proportion of relevant overheads and capitalised borrowing costs. When it is no longer probable that a project will be carried out, the project's development costs incurred to that date are expensed. Other expenditure is recognised in the profit and loss account as incurred.

Development costs are tested for impairment at least annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each Cash Generating Unit (the "CGU") or group of CGUs to which the development costs relate. Recoverable amount is the higher of fair value less costs of disposal and value-in-use. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

Non-current Assets (or Disposal Groups) Held for Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

Intangible Exploration and Evaluation Assets

The Group accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources as follows:

- Any costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the income statement;
- Expenditures recognised as exploration and evaluation assets comprise those related to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling (including coring and sampling), activities in relation to evaluating the technical feasibility and commercial viability of extracting hydrocarbons (including appraisal drilling and production tests) and any land rights acquired for the sole purpose of effecting these activities. These costs include employee costs, directly attributable overheads, materials and consumables, equipment costs and payments made to contractors;
- Tangible assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such tangible assets are consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the exploration and evaluation asset;
- Expenditures recognised as exploration and evaluation assets are initially accumulated and capitalised by reference to appropriate licence/ geographic areas. Expenditures recognised as exploration and evaluation assets are transferred to property plant and equipment and classified as oil and gas assets when technical feasibility and commercial viability of extracting hydrocarbons is demonstrable; and
- Exploration and evaluation assets are assessed for impairment (on the basis described below), and any impairment loss recognised, before reclassification.

Impairment Testing of Exploration and Evaluation Assets

Expenditures recognised as exploration and evaluation assets are tested for impairment whenever facts and circumstances suggest that they may be impaired, which includes when a licence is approaching the end of its term and is not expected to be renewed, when there are no substantive plans for continued exploration or evaluation of an area, when the Group decides to abandon an area, or where development is likely to proceed in an area but there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale.

Where the Group identifies any such indications that an asset may be impaired, the Group performs an assessment of the recoverable value in accordance with the requirements of IAS 36. Any impairment loss is recognised immediately in the income statement.



1 Accounting Policies continued

(i) Non-current Assets continued

Property, Plant and Equipment – Oil and Gas Assets

- 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 assets also includes an amount equal to the decommissioning cost estimate;
- Oil and gas assets are depleted either on a unit of production basis, commencing at the start of commercial production, or 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 proven and probable reserves for each property, after taking account of estimated future development expenditure relating to those reserves; and
- Net proceeds from any disposal of development/producing assets are compared to the previously capitalised costs for the relevant asset or group of assets. 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 or group of assets.

The Group's interests in oil and gas assets are assessed for indications of impairment including events or changes in circumstances which indicate that the carrying value of an asset may not be recoverable. Any impairment in value is charged to the income statement.

Impairment tests are carried out on the following basis:

- By comparing the sum of any amounts carried in the books to the recoverable amount;
- The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The Group 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; and
- Where there has been a charge for impairment in an earlier financial year that charge will be reversed in a later financial year 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 (or cash-generating unit) 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 (or cash-generating unit) in prior years.

Decommissioning

Where a liability for the removal of production facilities or site restoration exists, a provision for decommissioning is recognised. The amount recognised is discounted to its present value and is reflected in the Group'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 Group's non-current assets (intangible exploration and evaluation assets and property, plant and equipment), depending on the accounting treatment adopted for the underlying operations/asset leading to the decommissioning provision. The asset is assessed for impairment and depleted in accordance with the Group's policies as set out above.

Carried Interests

Where the Group has entered into carried interest agreements in exploration and evaluation projects and the Group's interest is being carried by a third party, no amounts are recorded in the financial statements where expenditure incurred under such agreements is not refundable. Where expenditure is refundable, out of what would but for the carry agreements have been the Group's share of production, the Group records amounts as non-current assets, with a corresponding offset in current liabilities or non-current liabilities, as appropriate, but only once it is apparent that it is more likely than not that future production will be adequate to result in a refund under the terms of any carry agreement; the Group records refunds only to the extent that they are expected to be repayable.

Other Property, Plant and Equipment

Other property, plant and equipment is stated at cost to the Group less accumulated depreciation. Depreciation is provided on such assets, with the exception of freehold land, at the following rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives, with any impairment being accounted for as additional depreciation:

Equipment used for exploration and evaluation	– between six and 12 years on a straight-line basis
Freehold land	– indefinite useful life
Buildings/leasehold property improvements	– over five to ten years on a straight line basis/over the period of the lease
Fixtures, fittings and equipment	– between three and 20 years on a straight-line basis
Motor vehicles	– over four years on a straight-line basis

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The Group does not capitalise amounts considered to be immaterial.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

1 Accounting Policies continued**(j) Financial Instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group 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.

Other Financial Assets – Restricted Cash

Restricted cash relates to bond guarantees issued to government bodies in relation to decommissioning liabilities. Funds are only classified as cash and cash equivalents when monies are transferred to and under the control of the Group.

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 Group's impairment policy and the calculation of 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.

Derivative Financial Instruments and Hedge Accounting

The Group enters into derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and variability in the price realised on a proportion of its crude oil production. All derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each financial year end. Apart from those derivatives designated as qualifying cash flow hedging instruments, all changes in fair value are recorded within operating profit/loss in the year in which they arise, otherwise they are recognised in other comprehensive income.

Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows. The fair value of derivative financial instruments has been calculated on a discounted cash flow basis by reference to forward market prices and risk free returns adjusted in the case of derivative financial liabilities by an appropriate credit spread.

Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost. These are measured at an amount equal to a lifetime ECL as 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 Group is exposed to credit risk.

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 Group 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 Group 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.

(k) Borrowings

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 (the "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.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the financial years in which they are incurred.

Derecognition

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.



1 Accounting Policies continued

(l) Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as assets with a value of £5,000 or less when new). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease Liabilities

The Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term using the incremental borrowing rate. Lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index. The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use Assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right-of-use assets are subject to and reviewed regularly for impairment. Depreciation on right-of-use assets is included in depletion, depreciation and amortisation within cost of sales or in administrative expense in the consolidated income statement based on the nature of the asset.

Extension, Renewal and Termination Options

Extension, renewal and termination options are included in a number of land, property, motor vehicles and other equipment leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an option to extend or renew, or not exercise a termination option. Extension and renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Amounts Recognised in Cash Flow Statement

Lease payments represent the repayment of principal and interest and are classified within financing cash flows in the cash flow statement.

(m) Inventories

Inventories, consisting of crude oil, and drilling and maintenance materials, are stated at the lower of cost and net realisable value. Costs comprise costs of purchase, costs 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.

(n) Taxation

The tax charge/credit includes current 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 financial years and items that are never taxable or deductible. The Group'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 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 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 financial 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 the income statement is recognised in correlation to the underlying transaction, either in other comprehensive income or directly in equity.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

1 Accounting Policies continued

(o) Share-based Payments

Where share options are awarded to employees including Directors, the fair value of the options at the date of the grant is recorded in equity (share plan reserves) and expensed over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including market vesting conditions, are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured by the change from immediately before to after the modification, is expensed over the remaining vesting period, with a corresponding adjustment to reserves.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised on the award is recognised immediately.

Where an equity settled award is identified as a replacement it will be treated as a modification to the original plan where the incremental fair value of the replacement award is expensed over the vesting period of the replacement award. The fair value of the original award on its grant date continues to be recognised over its original vesting period.

Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

Charges corresponding to the amounts recognised in equity are accounted for as a cost in the income statement unless the services rendered qualify for capitalisation as a non-current asset. Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition of intangible assets or property, plant and equipment.

Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, the value of such shares at issue will be recorded in share capital and share premium account in the ordinary way, but will not affect shareholders' funds since this same value will be shown as a deduction from shareholders' funds by way of a separate component of equity (treasury shares reserve).

Amounts recognised in the share plan reserves and treasury share reserve are not subsequently reclassified within equity.

(p) Post-retirement Benefits

A subsidiary within the Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the income statement represents the contributions paid/payable to the scheme in respect of the accounting financial year.

(q) Equity

Equity instruments issued by the Company are usually recorded at the proceeds received, net of direct issue costs, and allocated between called up share capital and share premium accounts as appropriate.

(r) Foreign Currency

The consolidated financial statements are presented in UK pound sterling, the functional currency of Star Energy Group plc. Transactions denominated in currencies other than the 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. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of transaction. All differences that arise are generally recorded in the income statement and presented within finance costs.

For the purposes of consolidation, the assets and liabilities of the Group's foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates prevailing on the reporting date. The income and expense of foreign operations are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve, except to the extent that the translation difference is allocated to the non-controlling interests.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Parent Company are reclassified to profit or loss.

(s) Government Grants

Government grants are recognised in the income statement on a systematic basis over the financial years in which the Group recognises as expenses the related costs for which the grants are intended to compensate and are presented net against the related costs.



2 Revenue

The Group derives revenue solely within the United Kingdom from the transfer of control over the 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 Group's major product lines are:

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Oil sales	46,448	52,409
Electricity sales	1,162	2,645
Gas sales	1,856	4,117
	49,466	59,171

Revenues of approximately £23.6 million and £22.8 million were derived from the Group's two largest customers (2022: £26.4 million and £26.0 million) and are attributed to the oil sales.

As at 31 December 2023, there are no contract assets or contract liabilities outstanding (2022: nil).

3 Operating Profit/(Loss)

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Operating profit/(loss) is stated after charging:		
Staff costs – gross (note 5)	(12,886)	(12,899)
Depletion, depreciation and amortisation*	(8,291)	(6,338)
Remuneration payable to the Group's external auditors:		
Fees payable to the Group's external auditors for the audit of the consolidated financial statements:		
Audit of the consolidated financial statements	(310)	(298)
Fees payable to the Group's external auditors for other services:		
Audit-related assurance services	(50)	(50)

* Reconciliation of depletion, depreciation and amortisation is as follows:

Depletion, Depreciation and Amortisation

	Property, plant and equipment (note 10) £000	Right-of-use assets (note 12) £000	Year ended 31 December 2023 £000	Property, plant and equipment (note 10) £000	Right-of-use assets (note 12) £000	Year ended 31 December 2022 £000
Cost of sales	(6,986)	(1,255)	(8,241)	(5,032)	(1,270)	(6,302)
Administrative expenses	(26)	(24)	(50)	(10)	(26)	(36)
Total depletion, depreciation and amortisation	(7,012)	(1,279)	(8,291)	(5,042)	(1,296)	(6,338)

4 Derivative Financial Instruments

Loss on Oil Price Derivatives

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Realised gain/(loss) on oil price derivatives	500	(7,961)
Unrealised (loss)/gain on oil price derivatives	(525)	1,934
	(25)	(6,027)



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

5 Employee Information

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Staff costs comprised:		
Wages and salaries	10,230	8,843
Social security costs	1,132	1,121
Other pension costs	598	538
Redundancy and termination benefits	166	1,016
Employee share-based payment cost	760	1,381
	12,886	12,899
	Year ended 31 December 2023 No.	Year ended 31 December 2022 No.
Average monthly number of employees including Directors in the year		
Operations, including services	113	107
Administrative	34	32
	147	139

Details of Directors' remuneration are set out in note 26.

A proportion of the Group's staff costs shown above is capitalised as additions to intangible assets and property, plant and equipment or charged to joint venture partners as part of our time writing rate and in accordance with the Group's accounting policies.

6 Finance Income/(Costs)

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Finance income:		
Interest on short-term deposits	24	8
Net foreign exchange gain	153	-
Finance income	177	8
Finance costs:		
Interest on borrowings	(909)	(950)
Amortisation of finance fees on borrowings	(268)	(268)
Net foreign exchange loss	-	(1,417)
Unwinding of discount on decommissioning provision (note 19)	(2,596)	(1,749)
Interest charge on lease liability (note 12)	(727)	(707)
Other interest payable	(103)	-
Finance costs	(4,603)	(5,091)



7 Income Tax

(i) Tax charge/(credit) on profit/(loss) from continuing ordinary activities

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Current tax:		
Charge for the year	1,099	-
Total current tax charge	1,099	-
Deferred tax:		
Charge/(credit) relating to the origination or reversal of temporary differences	8,611	(8,160)
Charge due to tax rate changes	-	1,465
(Credit)/charge in relation to prior years	(1,450)	57
Total deferred tax charge/(credit)	7,161	(6,638)
Total income tax charge/(credit)	8,260	(6,638)

(ii) Factors Affecting the Tax Charge

The majority of the Group's profits are generated by "ring-fence" businesses which attract UK corporation tax and supplementary charges at a combined average rate of 40% (2022: 40%), in addition to the Energy Profit Levy (EPL) introduced in May 2022 with an average rate of 35% for the year (2022: 15%).

A reconciliation of the UK statutory corporation tax rate (applicable to oil and gas companies) applied to the Group's profit/(loss) before tax to the Group's total tax charge/(credit) is as follows:

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Profit/(loss) from continuing ordinary activities before tax	2,769	(18,416)
Expected tax charge/(credit) based on profit/(loss) from continuing ordinary activities multiplied by an average combined rate of corporation tax and supplementary charge and Energy Profit Levy in the UK of 75% (2022: 55%)	2,077	(10,141)
Deferred tax (credit)/charge in respect of prior years	(1,450)	57
Expenses not allowable for tax purposes	1,502	2,105
Differences in amounts not allowable for supplementary charge purposes*	(29)	(100)
Impact of profits or losses taxed or relieved at different rates	1,218	4,499
Net increase/(decrease) in unrecognised losses carried forward	5,178	(1,864)
Net decrease in unrecognised temporary taxable differences	(236)	(2,659)
Tax rate change	-	1,465
Tax charge/(credit) on profit/(loss) from continuing activities	8,260	(6,638)

* Amounts not allowable for supplementary charge purposes relate to net financing costs disallowed for supplementary charge offset by investment allowance, which is deductible against profits subject to supplementary charge.

(iii) Deferred Tax

The movement on the deferred tax asset in the year is shown below:

	2023 £000	2022 £000
Asset at 1 January	44,813	38,176
Tax credit/(charge) relating to prior year	1,450	(57)
Tax (charge)/ credit during the year	(8,611)	8,160
Tax charge arising due to the changes in tax rates	-	(1,465)
Deferred tax arising from business combination (note 22)	(454)	-
Other	(6)	(1)
Asset at 31 December	37,192	44,813



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

7 Income Tax continued

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

	31 December 2023 £000	31 December 2022 £000
Accelerated capital allowances	(25,321)	(20,685)
Tax losses carried forward	44,388	50,659
Investment allowance unutilised	2,051	2,265
Decommissioning provision	15,737	12,524
Unrealised gains or losses on derivative contracts	–	(394)
Share-based payments	68	155
Right-of-use asset and liability	269	289
Deferred tax asset	37,192	44,813

(iv) Tax Losses

The Group has gross total tax losses and similar attributes carried forward of £362.1 million (2022: £355.3 million). Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered based on a five-year profit forecast or to the extent that there is offsetting deferred tax liabilities. Such recognised tax losses include £109.5 million (2022: £123.2 million) of ringfence corporation tax losses which will be recovered at 30% of future taxable profits, £92.6 million (2022: £119.8 million) of supplementary charge tax losses which will be recovered at 10% of future taxable profits and £4.3 million (2022: £1.9 million) of losses arising under the EPL regime which will be recovered at 35% of future taxable profits.

(v) Changes in Legislation

In March 2024, the UK Government announced that the sunset clause for EPL would be extended by a year to 31 March 2029, however this has not yet been enacted at the date of approval of the financial statements. Once enacted, the extension in the sunset clause for EPL will have an impact on the tax charge and deferred tax asset to be recognised in future periods. The Group will continue to monitor developments and any potential related impacts in this regard.

8 Earnings Per Share (EPS)

Basic EPS amounts are based on the loss for the year after taxation attributable to the ordinary equity holders of the Parent Company of £4.5 million (2022: a loss after taxation attributable to ordinary equity holders of the Parent Company of £11.8 million) and the weighted average number of ordinary shares outstanding during the year of 127.7 million (2022: 125.9 million).

Diluted EPS amounts are based on the loss for the year after taxation attributable to the ordinary equity holders of the Parent Company and the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive ordinary shares into ordinary shares, except where these are anti-dilutive.

As at 31 December 2023, there are 7.5 million potentially dilutive share options (31 December 2022: 11.9 million potentially dilutive share options) which were not included in the calculation of diluted earnings per share as their conversion to ordinary shares would have decreased the loss per share.

The following reflects the income and share data used in the basic and diluted earnings per share:

	Year ended 31 December 2023	Year ended 31 December 2022
Basic loss per share – ordinary shares of 0.002 pence each	(3.52p)	(9.35p)
Diluted loss per share – ordinary shares of 0.002 pence each	(3.52p)	(9.35p)
Loss for the year attributable to equity holders of the Parent Company – £000	(4,493)	(11,778)
Weighted average number of ordinary shares in the year– basic EPS	127,671,520	125,923,609
Weighted average number of ordinary shares in the year– diluted EPS	127,671,520	125,923,609



9 Intangible Assets

	2023				2022			
	Exploration and evaluation assets £000	Development costs £000	Goodwill £000	Total £000	Exploration and evaluation assets £000	Development costs £000	Goodwill £000	Total £000
At 1 January	5,558	3,710	–	9,268	34,844	3,478	–	38,322
Additions	553	705	–	1,258	722	232	–	954
Amounts recognised on acquisition of a subsidiary (note 22)	–	2,529	1,311	3,840	–	–	–	–
Exchange differences	–	28	15	43	–	–	–	–
Changes in decommissioning	–	–	–	–	10	–	–	10
Impairment	(456)	–	(130)	(586)	(30,018)	–	–	(30,018)
At 31 December	5,655	6,972	1,196	13,823	5,558	3,710	–	9,268

Exploration and Evaluation Assets

Exploration costs written off in the financial year to 31 December 2023 were £0.5 million (2022: £30.0 million) which included £0.3 million of early stage projects relating to our conventional assets where there is no further development prospect and £0.2 million related to trailing costs on previously impaired unconventional licences.

The 2022 exploration costs written off related to unconventional licences where the Board concluded it was unlikely that the Group would be able to proceed with the commercial development of these assets. This was due to the rejection of planning consent at Ellesmere Port, and the reintroduction of the moratorium on hydraulic fracturing for shale gas by the UK Government in October 2022.

The Group has £5.7 million (2022: £5.6 million) of capitalised exploration expenditure remaining, which relates to our conventional assets including PL 235 and PL 240. Management has assessed the remaining capitalised exploration expenditure for indications of impairment under IFRS 6 Exploration for and Evaluation of Mineral Resources and did not identify any factors indicating a need to perform detailed impairment testing.

Goodwill

The carrying value of goodwill relates to the acquisition of an interest in A14 Energy Limited (note 22) during the year. Following the acquisition, the Group identified five Cash Generating Units (CGUs) within our geothermal business, whereby technical, economic and/or contractual features create underlying interdependence in the cash flows. These CGUs correspond to the four licences (either awarded or under application) with the Croatian government (Ernestinovo, Sječe, Pčelić, and Leščan), in addition to the previously identified CGU relating to the UK geothermal business. The carrying amount of goodwill has been allocated to the following CGUs:

	31 December 2023 £000	31 December 2022 £000
Sječe licence	369	–
Pčelić licence	368	–
Ernestinovo licence	459	–
	1,196	–

On the date of the acquisition (note 22), goodwill of £0.1 million (2022: £nil) was allocated to the Leščan CGU, reflecting the potential of being awarded this licence. Given that this licence was not awarded to the Group, this goodwill has been fully impaired. No goodwill has been allocated to the UK geothermal business CGU.

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired. The Group reviewed the carrying value of the Sječe licence and Pčelić licence CGUs at 31 December 2023 and assessed them for impairment. The recoverable amount for these CGUs were based on fair value less costs of disposal (FVLCD). Due to the proximity in time of the acquisition of A14 Energy Limited which resulted in the origination of the goodwill amount, to the balance sheet date and due to the limited activity undertaken on these licences between the award date of the licences and the balance sheet date, the FVLCD of these CGUs was assessed as being consistent with the consideration paid by the Group on acquisition. As a result, no impairment charge was recognised against goodwill allocated to these two CGUs during the current year. The Group also reviewed the carrying value of the Ernestinovo licence CGU (which includes the related goodwill) at 31 December 2023, as further detailed below, with no impairment charge being recognised against goodwill allocated to this CGU in the current year.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

9 Intangible Assets continued**Development Costs**

The development costs relate to assets acquired as part of the GT Energy acquisition in 2020, and assets acquired relating to the Ernestinovo licence as part of the A14 Energy acquisition during the current year (see note 22).

The carrying amount of development costs is split between CGUs as follows:

	31 December 2023 £000	31 December 2022 £000
UK geothermal business	4,415	3,710
Ernestinovo licence	2,557	-
	6,972	3,710

Development Costs Relating to UK Geothermal Business

The costs relate to the design and development of deep geothermal heat projects in the United Kingdom, with the principal project being at Etruria Valley, Stoke-on-Trent.

The Group reviewed the carrying value of development costs as at 31 December 2023 and assessed it for impairment. The development of the Stoke-on-Trent project has taken longer than anticipated. This was initially due to COVID-19 related delays and the delay in the Government establishing a replacement for the Renewable Heat Incentive scheme which expired in March 2021. However, in March 2022, the UK Government launched the Green Heat Network Fund (“GHNF”) confirming that it will fund up to 50% of a project’s total combined commercialisation and construction costs and a grant funding application was submitted by GT Energy jointly with SSE in the second half of 2022. SSE have since refined their commercial model and undertaken further discussions with the council and other stakeholders along with appointing a third-party consultant to perform a project due diligence. This due diligence was conducted during the year and the technical and commercial aspects of the geothermal heat provision within the project were signed off by the consultant towards the end of Q3 2023. Subsequent to the year end, SSE, as lead applicant have submitted a project change request to the GHNF which seeks to amend both the capital grant as well as the timetable within which that grant will be spent. A decision is expected in the second quarter of 2024.

Although the development of the project has been delayed, this does not materially impact the overall economics and, therefore, no impairment of development costs relating to the UK Geothermal business has been recognised for the year (2022: £nil). The recoverable amount of the CGU is based on its value in use and amounts to £6.1 million. The principal assumptions are the heat sale volumes, unit price and discount rate. A 10% reduction in sales volume would result in a decline of the recoverable amount by £1.9 million. A 10% reduction in price would result in a decline of the recoverable amount by £2.1 million. An increase in the discount rate assumed of 1% (from 9.9% to 10.9%) would result in a decline of the recoverable amount by £1.9 million.

Development Costs Relating to Ernestinovo Licence

The development costs associated with Ernestinovo relate to the fair value of assets acquired as part of the A14 Energy acquisition as explained in note 22.

The costs relate to the value of the licence award and work performed up to the acquisition date in progressing with the re-entry of an existing well on the Ernestinovo exploration licence.

The Group reviewed the carrying value of the Ernestinovo licence CGU as at 31 December 2023 and assessed it for impairment. The recoverable amount for the CGU was based on fair value less costs of disposal (FVLCD). Due to the proximity in time of the acquisition of A14 Energy Limited, which resulted in the origination of this asset to the balance sheet date and the limited change in the value of the CGU by year end, the FVLCD of the CGU was assessed as being consistent with the consideration paid by the Group on acquisition. Therefore, no impairment charge has been recognised against the capitalised development cost on the Ernestinovo licence CGU during the year.



10 Property, Plant and Equipment

	2023			2022		
	Oil and gas assets £000	Other property, plant and equipment £000	Total £000	Oil and gas assets £000	Other property, plant and equipment £000	Total £000
Cost						
At 1 January	220,301	2,046	222,347	215,222	2,430	217,652
Additions	6,920	27	6,947	7,757	79	7,836
Disposals/write-offs	–	(339)	(339)	–	(463)	(463)
Changes in decommissioning*	(333)	–	(333)	(2,678)	–	(2,678)
At 31 December	226,888	1,734	228,622	220,301	2,046	222,347
Accumulated Depreciation, Depletion and Impairment						
At 1 January	147,022	594	147,616	142,034	1,035	143,069
Charge for the year	6,982	30	7,012	5,020	22	5,042
Disposals/write-offs	–	–	–	–	(463)	(463)
Impairment	–	–	–	10,457	–	10,457
Impairment reversal	–	–	–	(10,489)	–	(10,489)
At 31 December	154,004	624	154,628	147,022	594	147,616
NBV at 31 December	72,884	1,110	73,994	73,279	1,452	74,731

* The decommissioning asset reduced in line with the decommissioning liability following a review of the estimate at 31 December 2023 (note 19).

Capital expenditure incurred during the year mostly related to purchase of long lead items and site preparation required for an intended upcoming development project at Corringham, capital spend relating to improvement works at the Holybourne site and a number of projects carried out to generate near-time production and to offset field declines by upgrading existing facilities and systems and optimising production at a number of sites.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

10 Property, Plant and Equipment continued**Impairment of Oil and Gas Assets****Year ended 31 December 2023**

Cash Generating Units (CGUs) for impairment purposes are the group of fields whereby technical, economic and/or contractual features create underlying interdependence in the cash flows. The Group has identified the three main producing CGUs as: North, South, and Scotland. At each balance sheet date, the Group assesses its CGUs 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 Group makes an estimate of the asset's recoverable amount. An impairment assessment was performed for all three CGUs at the balance sheet date as a result of identification of impairment indicators.

The recoverable amounts of the North and South CGUs have been estimated by assessing the fair value less costs of disposal using a discounted cash flow methodology. The recoverable amount of the Scotland CGU has been estimated by assessing the fair value less costs of disposal with respect to a potential sale of the site.

The future cash flows in the discounted cash flow models for the North and South CGUs were estimated using the following key assumptions:

	31 December 2023
Oil price (Brent)	\$78-\$70/bbl for the years 2024-2028 and \$65/bbl thereafter
USD/GBP foreign exchange rate	Range of \$1.27:£1.00 – \$1.30:£1
Post-tax discount rate	9.5%

Outcome of Impairment Reviews:

The 31 December 2023 impairment assessment resulted in a recoverable amount greater than the carrying amount by £16.9 million in the South CGU (recoverable amount of £45.5 million) and £6.3 million in the North CGU (recoverable amount of £38.2 million). Despite historic impairments remaining un-reversed in the North CGU, no impairment reversal was recorded at the North CGU as reasonable downside cases indicated that an impairment could be required if certain plausible sensitivities were applied. Therefore, the factors that led to the initial impairment were assessed to have not fully reversed and management did not consider it appropriate to reverse a portion of the past impairment. At the Scotland CGU, no impairment charge was recognised, with the recoverable amount of £0.5 million assessed to approximate the carrying value of the CGU (which includes the carrying value of the associated decommissioning liability).

Sensitivity of Changes in Assumption:

The principal assumptions in the discounted cash flow methodology are future production, estimated Brent prices, the USD/GBP foreign exchange rate, and the discount rate. The impact on the recoverable amount that would result from changes to the key assumptions at 31 December 2023 are shown below:

CGU	10% reduction in price £m	10% reduction in production £m	USD/GBP foreign exchange rate @ \$1.4 £m	Increase in discount rate by 1% £m
North	(8.57)	(9.03)	(6.28)	(1.62)
South	(7.31)	(7.23)	(7.36)	(2.52)

The sensitivity analysis above does not take into account any mitigating actions available to management should these changes occur, such as implementing cost savings and other process efficiencies.

Year ended 31 December 2022

At 30 June 2022, due to the high oil and gas prices and favourable foreign exchange rates, management identified impairment reversal indicators for the North and South CGUs and performed a detailed exercise to determine the amount of reversal at that date. Due to subsequent increases in interest rates, the imposition of the Energy Profits Levy and a reduction in commodity price forward curves in the second half of 2022, management identified impairment indicators at the North and South CGUs and performed an impairment assessment as at 31 December 2022.

The Scotland CGU was undergoing a redevelopment plan. Possible increased development costs under the plan indicated a potential impairment for this CGU leading to an impairment assessment being performed at 30 June 2022. No further impairment assessment was performed at year end, given no impairment indicators were identified at 31 December 2022.



10 Property, Plant and Equipment continued

Impairment of Oil and Gas Assets continued

Year ended 31 December 2022 continued

The future cash flows in the impairment assessments at 30 June 2022 and 31 December 2022 were estimated using the following key assumptions:

	31 December 2022	30 June 2022
Oil price (Brent)	\$80-\$70/bbl for the years 2023-2027 and \$65/bbl thereafter	\$100-\$80/bbl for the years 2022-2026 and \$65/bbl thereafter
USD/GBP foreign exchange rate	Range of \$1.22:£1.00 – \$1.30:£1	Range of \$1.25:£1.00 – \$1.35:£1
Post-tax discount rate	10.5%	9%

Outcome of impairment reviews:

The 30 June 2022 impairment assessment resulted in a recoverable amount greater than the carrying amount by £16.0 million in the South CGU (recoverable amount of £44.8 million) and £0.8 million in the North CGU (recoverable amount of £39.7 million). We capped the impairment reversal recorded in the South CGU to £10.5 million, comprising the net book value of the full amount previously impaired, in line with the requirements of IAS 36. No impairment reversal was recorded in the North CGU as reasonable downside cases indicated that an impairment could be required if certain sensitivities were applied. Therefore, the factors that led to the initial impairment were assessed to have not fully reversed and management did not consider it appropriate to reverse a portion of the past impairment.

At the Scotland CGU, an impairment of £1.5 million was recognised as at 30 June 2022 (with a recoverable amount of £1.3 million), as it was not expected that all past costs would be recovered through the development of the site.

The 31 December 2022 impairment assessment resulted in an impairment in the North CGU of £8.9 million, with a final recoverable amount of £34.5 million. However, in the South CGU, the recoverable amount increased to £45.9 million as a result of a change in the reserves profile, hence no impairment was recorded.

11 Interest in Joint Arrangements

The Group's material joint operations as at 31 December 2023 are set out below:

Licences	Partner	Star Energy's interest	Operator
East Midlands			
PEDL169	Egdon	80%	Star Energy
PEDL210	INEOS	75%	Star Energy
PEDL 012	INEOS	55%	Star Energy
PEDL278	Egdon	50%	Star Energy
PEDL273	INEOS, Egdon	55%	Star Energy
PEDL305	INEOS, Egdon	55%	Star Energy
PEDL316	INEOS, Egdon	55%	Star Energy
PEDL139	INEOS, Egdon, eCorp	32%	Star Energy
PEDL140	INEOS, Egdon, eCorp	32%	Star Energy
North West			
PEDL145	INEOS	40%	INEOS
PEDL147	INEOS	25%	Star Energy
PEDL184	INEOS	50%	Star Energy
PEDL189	INEOS	25%	Star Energy
PEDL190	INEOS	50%	Star Energy
PEDL193	INEOS	40%	INEOS
PEDL293	INEOS	30%	INEOS
PEDL295	INEOS	30%	INEOS
EXL 273	INEOS	15%	INEOS
Weald			
PL211	UKOG	90%	Star Energy
PEDL070	UKOG, Egdon, Aurora, Corfe	54%	Star Energy



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

12 Right-of-use Assets and Lease Liabilities**(a) Amounts Recognised in the Balance Sheet**

The Group has identified lease portfolios for land, motor vehicles and other equipment as follows:

	31 December 2023 £000	31 December 2022 £000
Right-of-use assets		
Land	6,974	7,190
Motor vehicles and other equipment	452	193
	7,426	7,383

Additions to the right-of-use assets during the 2023 financial year were £1.4 million (2022: £1.7 million).

	31 December 2023 £000	31 December 2022 £000
Lease liabilities		
Current	(865)	(738)
Non-current	(6,981)	(7,042)
	(7,846)	(7,780)

(b) Amounts Recognised in the Income Statement

The income statement includes the following amounts relating to leases:

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Depreciation charge of right-of-use assets		
Land	1,130	1,194
Motor vehicles and other equipment	149	102
	1,279	1,296
Other		
Interest charge (note 6)	727	707
Expense relating to leases of low-value and short-term leases (included in cost of sales and administrative expense)	461	605

(c) Amounts Recognised in the Cash Flow Statement

The cash flow statement includes the following amounts relating to leases:

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Repayment of interest on lease liabilities	727	707
Repayment of principal portion of lease liabilities	1,255	1,059
Total cash outflow	1,982	1,766



13 Inventories

	31 December 2023 £000	31 December 2022 £000
Oil stock	567	787
Drilling and maintenance materials	955	880
	1,522	1,667

Inventories approximating the value of other cost of sales in the consolidated income statement were recognised as an expense during the current and prior periods.

14 Trade and Other Receivables

	31 December 2023 £000	31 December 2022 £000
Trade debtors	3,958	5,171
Prepayments	1,235	999
Other debtors	1,513	143
VAT recoverable	361	785
	7,067	7,098

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally non-interest bearing and due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's consideration of credit risk are provided in note 23.

Due to the short-term nature of trade and other receivables, their carrying amount is considered to be the same as their fair value. No expected credit loss (ECL) has been recognised against trade receivables as it is considered to be immaterial.

15 Cash and Cash Equivalents

	31 December 2023 £000	31 December 2022 £000
Cash at bank and in hand	3,855	3,092

The cash and cash equivalents do not include restricted cash.

Restricted Cash

	31 December 2023 £000	31 December 2022 £000
Current	410	–
Non-current	–	410

The restricted cash represents restoration deposits paid to Nottinghamshire County Council, which serve as collateral for the restoration of drilling sites at the end of their life. The restoration deposits are subject to regulatory and other restrictions and are therefore not available for general use of the Group. These are expected to be collected within the next 12 months based on the timing of the completion of related site restoration activities and have therefore been presented within current assets.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

15 Cash and Cash Equivalents continued**Net Debt Reconciliation**

	31 December 2023	31 December 2022
	£000	£000
Cash and cash equivalents	3,855	3,092
Borrowings – including capitalised fees	(5,358)	(8,743)
Net debt	(1,503)	(5,651)
Capitalised fees	(133)	(401)
Net debt excluding capitalised fees	(1,636)	(6,052)

	2023			2022		
	Cash and cash equivalents	Borrowings	Total	Cash and cash equivalents	Borrowings	Total
	£000	£000	£000	£000	£000	£000
Net debt as at 1 January	3,092	(8,743)	(5,651)	3,289	(14,836)	(11,547)
Interest paid on borrowings	(809)	–	(809)	(950)	–	(950)
Other interest paid	(575)	–	(575)	–	–	–
Repayment of RBL (note 18)	(3,284)	3,284	–	(7,985)	7,985	–
Foreign exchange adjustments	(230)	369	139	217	(1,624)	(1,407)
Other cash flows	5,661	–	5,661	8,521	–	8,521
Other non-cash movements	–	(268)	(268)	–	(268)	(268)
Net debt as at 31 December	3,855	(5,358)	(1,503)	3,092	(8,743)	(5,651)

16 Discontinued Operations

The divestment of assets acquired as part of the Dart Acquisition, namely the Rest of the World segment, was completed in 2016. The Group had a presence in a small number of Australian, Indian and Singaporean registered operations. The liquidation process for these overseas dormant subsidiaries was completed in 2022 except for the formal deregistration of one Australian entity (Dart Energy Pty Ltd) which was still in progress at 31 December 2023. The total gain/loss after tax in respect of discontinued operations was £nil (2022: £nil).

17 Trade and Other Payables

	31 December 2023	31 December 2022
	£000	£000
Current		
Trade creditors	(3,750)	(2,738)
Employment taxes	(305)	(328)
Other creditors and accruals	(6,547)	(5,198)
Amounts due to partner in joint arrangement	(369)	–
	(10,971)	(8,264)
Non-current		
Amounts due to partner in joint arrangement	–	(369)
	–	(369)

Trade creditors are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of each of the Group's financial liabilities included within trade and other payables are considered to be a reasonable approximation of their fair value.



18 Borrowings

	31 December 2023 £000	31 December 2022 £000
Reserve-Based Lending Facility (RBL) – secured (current)	(5,358)	(3,325)
Reserve-Based Lending Facility (RBL) – secured (non-current)	–	(5,418)
	(5,358)	(8,743)

The carrying amounts of each of the Group's financial liabilities included within borrowings are considered to be a reasonable approximation of their fair value.

Reserves Based Lending facility

In October 2019, the Group signed a \$40.0 million RBL facility with BMO Capital Markets (BMO). In addition to the committed \$40.0 million RBL, a further \$20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments. The RBL has a five-year term, an interest rate of USD LIBOR plus 4.0%, matures in June 2024 and is secured on the Group's assets. USD LIBOR ceased to be published from 30 June 2023 and the facility was amended to replace LIBOR with the Secured Overnight Finance Rate (SOFR) with effect from 1 July 2023. There was no material impact on the financial position and performance of the Group resulting from this transition.

As at 31 December 2023, we had an available facility limit of \$7.0 million, in line with the loan facility amortisation schedule. The current portion of the borrowings have been assessed on the basis of the RBL loan facility amortising in line with the contractual terms and being fully repayable within a period of next 12 months.

We made a repayment on the loan of £3.3 million during the year (2022: £8.0 million).

Under the terms of the RBL, the Group is subject to a financial covenant whereby, as at 30 June and 31 December each year, the ratio of Group Net Debt at the period end to Group Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional items ("EBITDAX" as defined in the RBL agreement) for the previous 12 months shall be less than or equal to 3.5:1. The Group complied with its covenants for the financial years ended 31 December 2023 and 31 December 2022.

On 9 April 2024, the Group announced the closing of a new €25.0 million facility with Kommunalkredit Austria AG (Kommunalkredit), which was used to repay the outstanding balance on the RBL facility, in addition to providing funding for the Group's geothermal development activities (see note 28).

Collateral Against Borrowing

A Security Agreement was executed between BMO and Star Energy Group plc and some of its subsidiaries, namely; Island Gas Limited, Island Gas Operations Limited, Star Energy Weald Basin Limited, IGas Energy Limited, Star Energy Limited, Island Gas (Singleton) Limited, Dart Energy (East England) Limited, Dart Energy (West England) Limited, IGas Energy Development Limited, IGas Energy Enterprise Limited, Dart Energy (Europe) Limited and IGas Energy Production Limited.

Under the terms of this Agreement, BMO has a floating charge over all of the assets of these legal entities, other than property, assets, rights and revenue detailed in a fixed charge. The fixed charge encompasses the Real Property (freehold and/or leasehold property), the specific petroleum licences, all pipelines, plant, machinery, vehicles, fixtures, fittings, computers, office and other equipment, all related property rights, all bank accounts, shares and assigned agreements and rights including related property rights (hedging agreements, all assigned intergroup receivables and each required insurance and the insurance proceeds).

19 Provisions

	2023			2022		
	Decommissioning provisions £000	Contingent consideration £000	Total £000	Decommissioning provisions £000	Contingent consideration £000	Total £000
At 1 January	(62,825)	(2,731)	(65,556)	(65,995)	(2,731)	(68,726)
Acquisitions (note 22)	–	(857)	(857)	–	–	–
Utilisation of provision	2,909	857	3,766	2,251	–	2,251
Unwinding of discount (note 6)	(2,596)	–	(2,596)	(1,749)	–	(1,749)
Reassessment of decommissioning provision	101	–	101	2,668	–	2,668
At 31 December	(62,411)	(2,731)	(65,142)	(62,825)	(2,731)	(65,556)

	2023			2022		
	Decommissioning provisions £000	Contingent consideration £000	Total £000	Decommissioning provisions £000	Contingent consideration £000	Total £000
Current	(1,956)	(280)	(2,236)	(6,560)	(280)	(6,840)
Non-current	(60,455)	(2,451)	(62,906)	(56,265)	(2,451)	(58,716)
At 31 December	(62,411)	(2,731)	(65,142)	(62,825)	(2,731)	(65,556)



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

19 Provisions continued

Decommissioning Provision

The Group spent £2.9 million on decommissioning activities during the year (2022: £2.3 million) related primarily to plugging and abandoning wells at the Springs Road, Ince Marshes and Egmonton sites.

Provision has been made for the discounted future cost of abandoning wells and restoring sites to a condition acceptable to the relevant authorities. This is expected to take place between 1 to 29 years from year end (2022: 1 to 30 years). The provisions are based on the Group's internal estimate as at 31 December 2023. Assumptions are based on our cumulative experience from decommissioning wells which management believes is a reasonable basis upon which to estimate the future liability. The estimates are based on a planned programme of abandonments but also include a provision to be spent in 2024-2027 on preparing for the abandonment campaign, abandoning wells and restoring sites which for regulatory, integrity or other reasons fall outside the planned campaign. The estimates are reviewed regularly to take account of 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 and is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend on factors such as future oil and gas prices, which are inherently uncertain.

The Group 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 2023 – 2025 and thereafter incorporates the long term UK target inflation rate for the period 2026 and beyond.

The discount rate used in the provision calculation as at 31 December 2023 ranged from 3.0% to 5.5% (2022: 3.0% to 5.1%). 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.

At 31 December 2023, the Group reassessed the decommissioning provision which resulted in a reduction of £0.1 million to the value of the liability. The change comprises a £0.4 million decrease due to the change in the discount rate, and a £2.5 million decrease due to expected timing, offset by expected cost (including inflationary) increases of £2.8 million.

Sensitivity of Changes in Assumptions

Management performed sensitivity analysis to assess the impact of changes to the risk free rate and short term inflation assumption on the Group's decommissioning provision balance. A 0.5% decrease in the risk free rate assumption would result in an increase in the decommissioning provision by £4.0 million.

Management also performed sensitivity analysis to assess the impact of changes to the undiscounted future cost of abandoning wells and restoring sites on the Group's decommissioning provision balance. A 10% increase in the undiscounted future cost would result in an increase in the decommissioning provision by £6.3 million.

Contingent Consideration

The contingent consideration at the balance sheet date relates to the amount arising on the acquisition of GT Energy UK Limited. The contingent consideration is payable in shares and is dependent on the timing of various milestones being achieved. It is also dependent on the inputs to an agreed-form economic model which determines the level of the consideration for each milestone in accordance with the SPA. These inputs relate to targets for aspects of the Stoke-on-Trent project, including funding, amount of heat delivered, and costs and revenues achieved. The fair value of the consideration for each milestone recognised was calculated by determining the probability weighted value of each payment and discounted using a WACC of 8.3%. In addition, there is a business development milestone relating to securing and achieving targets for a second geothermal project or generating additional capacity for the Stoke-on-Trent project. The acquisition agreement and economic model assumed the availability of the Renewable Heat Incentive (RHI), which closed to applications from 31 March 2021. In March 2022, the UK Government launched the GHNF and we have applied for funding for the Stoke-on-Trent project in the first round. The change in nature of the government support for the project is not provided for in the economic model or the SPA. Whilst the contractual implications on the acquisition agreement are being assessed, management believes that the current value provides the best estimate of the contingent consideration at this time. The estimated fair value will be reviewed as the project progresses and more information becomes available.

The consideration on the acquisition of an interest in A14 Energy Limited (note 22) included contingent consideration of £0.9 million which was payable on the award of geothermal licences in bids submitted by IGeoPen. The outcome of the bids was announced in October 2023 with the successful award of two licences, resulting in the contingent consideration becoming payable.

20 Pension Scheme

A Group subsidiary operates a defined contribution pension scheme. Contributions made by the Group for the year ended 31 December 2023 were £0.56 million (2022: £0.54 million). Contributions amounting to £0.07 million were accrued at 31 December 2023 (2022: £0.06 million) and are included in trade and other payables.



21 Commitments

Capital Commitments

The Group's capital commitments relate to expenditure committed but not spent on conventional and unconventional licences, and geothermal projects as follows:

	31 December 2023 £000	31 December 2022 £000
Oil and gas projects	436	226
Geothermal projects	265	–
Total capital commitments	701	226

On 1 November 2023, Tokio Marine Europe S.A issued performance guarantees amounting to €5.2 million (£4.5 million) on behalf of the Group for licence commitments relating to the Sječe and Pčelić exploration licences. The guarantees have a term of five years. Subsequent to the year end, the Group agreed to provide cash backing for the guarantees using the proceeds of the Kommunalkredit facility (note 28).

22 Acquisition of a Subsidiary

Acquisition of A14 Energy Limited

On 25 August 2023, the Group acquired 51% of the issued share capital of A14 Energy Limited (“A14 Energy”), thereby obtaining control of A14 Energy. At the date of acquisition, A14 Energy owned, via its Croatian subsidiary, IGeoPen d.o.o, the Ernestinovo geothermal waters exploration licence in the highly prospective Pannonian Basin in Croatia. A14 Energy qualified as a business as defined in IFRS 3 Business Combinations, as the acquired workforce contained significant skills, knowledge and experience in the Croatian geothermal market and the business processes formed a substantive process. This transaction further develops the Group's strategy to transition into a geothermal developer, owner and operator, diversifying regulatory risk and providing an entry into the electricity generation sector.

The amounts recognised in respect of the fair value of the identifiable assets acquired and liabilities assumed are set out in the table below:

	31 December 2023 £000
Cash and cash equivalents	11
Intangible assets – Development costs (see (a) below)	2,529
Deferred tax liabilities	(454)
Trade and other payables	(5)
Total identifiable assets acquired and liabilities assumed	2,081
Goodwill (see (b) below)	1,311
Non-controlling interest in A14 Energy (49% equity interest) (see (d) below)	(1,242)
Amounts recognised upon acquisition	2,150
Satisfied by:	
Cash consideration	1,293
Contingent consideration (see (c) below)	857
Total consideration transferred	2,150

- (a) An intangible asset of £2.5 million has been recognised in respect of the value of the Ernestinovo licence award and work performed (including a comprehensive subsurface study and geological modelling) up to the acquisition date in progressing with the re-entry of an existing well on the Ernestinovo exploration licence. The fair value of the capitalised development costs was determined using the market approach. Taking into account the characteristics of the assets and liabilities acquired in an orderly transaction between two market participants, management has concluded that the consideration transferred equals the fair value of the share of the business acquired by the Group, thus allowing the fair value of the intangible assets acquired to be calculated.
- (b) Of the goodwill of £1.3 million arising from the acquisition, £0.9 million was attributable to the potential benefits of application bids in progress for the Sječe, Pčelić, and Ležčan exploration licences on the acquisition date. Although there was potential future economic benefit arising from the work completed on these applications at the acquisition date, this did not meet the definition of an asset as the bids had not been awarded and were not under the control of the acquired entity. The remaining £0.4 million of goodwill is attributable to the deferred tax implications associated with the capitalised development cost acquired in respect of the Ernestinovo exploration licence. The goodwill recognised is not expected to be deductible for income tax purposes (see note 9).
- (c) The contingent consideration arrangement required Star Energy to pay an additional amount of £0.4 million for each of the in-progress licence bids awarded after the acquisition date. The outcome of these bids was announced in October 2023 confirming that the bids at Sječe and Pčelić had been successful (but the bid at Ležčan was unsuccessful) and therefore a payment of £0.9 million became due. The fair value of the contingent consideration on the date of acquisition was estimated based on the assessed likelihood of the successful award of each bid.
- (d) The non-controlling interest (49% equity interest in A14 Energy) recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets and amounted to £1.2 million.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

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22 Acquisition of a Subsidiary continued**Acquisition of A14 Energy Limited continued**

Acquisition-related costs (included in administrative expenses) amounted to £0.5 million.

A14 Energy contributed £nil revenue and loss of £2.0 million to the Group's profit before tax for the period between the date of acquisition and the reporting date. The loss in the period arose mainly as a result of costs incurred in relation to the re-entry on the Ernestinovo well including rig cost and well site and test pit construction costs. If the acquisition of A14 Energy had been completed on the first day of the financial year, Group revenues and losses would be materially consistent with those reported.

23 Financial Instruments and Risk Management**Fair Value Hierarchy**

Assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There are no non-recurring fair value measurements nor have there been any transfers of financial instruments between levels of the fair value hierarchy.

Financial Assets and Liabilities Measured at Fair Value

	Level	31 December 2023 £000	31 December 2022 £000
Financial assets:			
Derivative financial instruments – oil hedges	2	–	525
		–	525

Fair Value of Derivative Financial Instruments**Commodity Price Hedges**

The fair values of the commodity price hedges were provided by counterparties with whom the trades have been entered into. These consist of Asian style put options and swaps to sell/buy oil. The hedges are valued using a Black-Scholes methodology; however, certain adjustments are made to the spot-price volatility of oil prices due to the nature of the contracts. These adjustments are made either through Monte Carlo simulations or through statistical formulae. The inputs to these valuations include the price of oil, its volatility, and risk free interest rates.

During the year, the Group entered into certain fixed price swaps in order to manage its exposure to commodity price risk associated with sales of oil. There were no outstanding oil hedge contracts as at 31 December 2023. A gain of £0.5 million was realised on hedges during the year to 31 December 2023 (2022: loss of £8.0 million) (see note 4).

The outstanding oil hedge contracts as at 31 December 2022 were as follows:

Type	Strike price/ fixed and floating price	2023 Q1 Contract amount bbls oil	2023 Q2 Contract amount bbls oil	Total Contract amount bbls oil	Fair value at 31 December 2022 £000
US dollar fixed price Swap	95.00	15,000	–	15,000	128
US dollar fixed price Swap	96.65	15,000	–	15,000	149
US dollar fixed price Swap	93.05	–	15,000	15,000	112
US dollar fixed price Swap	95.00	–	15,000	15,000	136
		30,000	30,000	60,000	525

The above derivatives matured over the financial year from 1 January 2023 until 31 December 2023.



23 Financial Instruments and Risk Management continued

Fair Value of Financial Assets and Financial Liabilities

The carrying values of other financial assets and financial liabilities are considered to be materially equivalent to their fair values.

Financial Risk Management

The Group's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations, including the Group's capital expenditure programme. The Group's financial assets include trade and other receivables, cash and cash equivalents and restricted cash that are derived directly from its operations. The Group also enters into derivative transactions to manage its commodity price exposure.

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the Group's financial targets while protecting future financial security. The Group is exposed to the following risks:

- Interest rate risk
- Market risk, including commodity price and foreign currency risks
- Credit risk
- Liquidity risk

Management reviews and agrees policies for managing each of these risks, which are summarised below. The Group's policy is that all transactions involving derivatives must be directly related to the underlying business of the Group and does not use derivative financial instruments for speculative purposes.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the RBL facility with BMO Capital Markets (BMO) (see note 18 for further details).

The following table summarises the impact on profit/(loss) before tax for changes in interest rates on the fair value of the drawn RBL balance. The analysis is based on the assumption that the benchmark (transitioned from USD LIBOR to SOFR from 1 July 2023) moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in profit before tax or decrease/ (increase) in loss before tax and corresponding impact in equity	
	31 December 2023 £000	31 December 2022 £000
50 basis point increase in benchmark	(39)	(79)
50 basis point decrease in benchmark	39	79

Market 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 factors, such as commodity prices and foreign currency exchange rates.

The sensitivity analyses below have been prepared on the basis that the amount of net debt and the proportion of financial instruments in foreign currencies are all constant and that financial derivatives are held to maturity. The sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

The following assumptions have been made in preparing the sensitivity analyses:

- The sensitivity of the relevant profit/(loss) before tax item is the effect of the assumed changes in market risks. This is based on the financial assets and financial liabilities held at 31 December 2023 and 31 December 2022; and
- The impact on equity is the same as the impact on profit/(loss) before tax and ignores the effects of deferred tax, if any.

Commodity Price Risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices (primarily crude oil) on the oil and gas it produces. The Group's policy is to manage these risks through the use of derivative financial instruments in line with the requirements of the RBL facility.

The following table summarises the impact on profit/(loss) before tax for changes in commodity prices on the fair value of derivative financial instruments. The impact on equity is the same as the impact on profit/(loss) before tax as these derivative financial instruments have not been designated as hedges and are classified as held-for-trading.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

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23 Financial Instruments and Risk Management continued**Market Risk** continued**Commodity Price Risk** continued

The analysis is based on derivative contracts existing at the balance sheet date, the assumption that crude oil price moves 10% over future financial years, with all other variables held constant. Management believes that 10% is a reasonable sensitivity based on forward forecasts of estimated oil price volatility.

	Increase/(decrease) in profit before tax or decrease/ (increase) in loss before tax and corresponding impact in equity	
	31 December 2023 £000	31 December 2022 £000
10% increase in the price of oil	–	(414)
10% decrease in the price of oil	–	414

Foreign Currency Risk

The Group has transactional currency exposures. Such exposure arises from sales, purchases or financing in currencies other than the UK pound sterling, the functional currency of the Star Energy Group plc. The majority of the Group's sales are denominated in US dollars, and approximately 11% of costs are denominated in currencies other than the UK pound sterling, primarily US dollars and Euros. The Group's borrowings are also denominated in US dollars. The Group's exposure to other currencies is not considered to be material.

The following tables summarise the impact on profit/(loss) before tax for changes in the pound sterling/US dollar and pound sterling/euro exchange rates on the financial assets and liabilities at year end. The impact on equity is the same as the impact on profit/(loss) before tax.

The analysis is based on the assumption that the pound moves 10% against the US dollar or euro independently, with all other variables held constant.

	Increase/(decrease) in profit before tax or decrease/ (increase) in loss before tax and corresponding impact in equity	
	31 December 2023 £000	31 December 2022 £000
10% strengthening of the pound against the US dollar	(53)	410
10% weakening of the pound against the US dollar	53	(410)

	Increase/(decrease) in profit before tax or decrease/ (increase) in loss before tax and corresponding impact in equity	
	31 December 2023 £000	31 December 2022 £000
10% strengthening of the pound against the euro	143	(2)
10% weakening of the pound against the euro	(143)	2

Credit Risk

The Group has a credit policy to assess and manage the credit risk of counterparties before entering contracts, including credit checks through external credit agencies, the establishment of credit limits, a requirement for security, payment terms and specific transaction approvals. The primary credit exposures of the Group are its receivables from crude oil, electricity and gas sales, amounts due from Joint Venture partners and exposure with respect to derivative contracts. These exposures are managed at the corporate level. The Group has two main customers and only trades with established counterparties who have been approved in accordance with the Group's credit policy.

At 31 December 2023, two customers (2022: two) accounted for approximately 91% (2022: 79%) of total trade receivables outstanding of £4.0 million (2022: £5.2 million).

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, restricted cash, other debtors, and derivative contracts, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent other than if the UK government is a majority shareholder. At 31 December 2023, the maximum exposure was £5.8 million (2022: £3.6 million).



23 Financial Instruments and Risk Management continued

Liquidity Risk

The Group manages liquidity risk by maintaining adequate banking 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. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand £000	< 1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
At 31 December 2023						
Borrowings	–	(5,491)	–	–	–	(5,491)
Lease liabilities	–	(1,503)	(1,503)	(1,525)	(9,459)	(13,990)
Trade creditors	–	(3,750)	–	–	–	(3,750)
Other creditors and accruals	–	(6,916)	–	–	–	(6,916)
	–	(17,660)	(1,503)	(1,525)	(9,459)	(30,147)
At 31 December 2022						
Borrowings	–	(3,325)	(5,819)	–	–	(9,144)
Lease liabilities	–	(1,544)	(1,328)	(1,302)	(10,501)	(14,675)
Trade creditors	–	(2,738)	–	–	–	(2,738)
Other creditors and accruals	–	(5,198)	–	–	(369)	(5,567)
	–	(12,805)	(7,147)	(1,302)	(10,870)	(32,124)

Management considers that the Group has adequate current assets and forecast cash from operations to manage liquidity risks arising from current and non-current liabilities.

Capital Management

The Group manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Group's funding requirements are met through a combination of debt and equity and adjustments are made in light of changes in economic conditions. The Group's strategy is to maintain ratios in line with covenants associated with its secured borrowing facilities (see note 18).

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group includes interest-bearing loans less cash and cash equivalents in net debt. Capital includes share capital, share premium, other reserves and accumulated profits/losses.

The Group signed a \$40.0 million RBL facility with BMO Capital Markets (BMO) on 3 October 2019 which was due to be fully repaid by June 2024. On 9 April 2024, the Group announced the closing of a new €25.0 million facility with Kommunalkredit Austria AG (Kommunalkredit), which was used to repay the outstanding balance on the RBL facility, in addition to providing funding for the Group's geothermal development activities (see note 28). Management remains focused on maintaining a strong balance sheet and funding to support our strategy.

24 Share Capital and Share Premium

On 3 April 2017, the shareholders approved the subdivision of each of the 303,305,534 ordinary shares of 10p each of the Company into one new ordinary share of 0.0001p each and one deferred share of 9.9999p each. At the AGM of the Company on 14 June 2017, the shareholders approved a consolidation and subdivision of the Company's share capital in order to reduce the number of shares in issue to that more appropriate for the size of the Company. Following the consolidation, every 200 ordinary shares of 0.0001 pence each were consolidated into one new ordinary share of 0.02 pence each and immediately sub-divided into 10 ordinary shares of 0.002 pence. The consolidation and subdivision reduced the number of shares in issue from 2.4 billion to 121 million.

	Ordinary shares		Deferred shares*		Share capital	Share premium
	No.	Nominal value £000	No.	Nominal value £000	Nominal value £000	Value £000
Issued and fully paid						
At 1 January 2022	125,495,505	2	303,305,534	30,331	30,333	102,992
2022 SIP share issue – partnership	217,861	1	–	–	1	43
2022 SIP share issue – matching	185,620	–	–	–	–	33
Shares issued in respect of MRP exercises	583,467	–	–	–	–	–
Shares issued in respect of EDRP exercises	175,000	–	–	–	–	–
Shares issued in respect of EIP exercises	74,076	–	–	–	–	–
At 31 December 2022	126,731,529	3	303,305,534	30,331	30,334	103,068
2023 SIP share issue – partnership	287,356	–	–	–	–	42
2023 SIP share issue – matching	551,316	–	–	–	–	79
Shares issued in respect of MRP exercises	594,154	–	–	–	–	–
Shares issued in respect of EDRP exercises	150,000	–	–	–	–	–
Shares issued in respect of EIP exercises	32,678	–	–	–	–	–
At 31 December 2023	128,347,033	3	303,305,534	30,331	30,334	103,189

* Deferred shares were created on capital restructuring which completed in April 2017.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

24 Share Capital and Share Premium continued

Accordingly, the Group share capital account comprised:

	£000
Share capital account	
At 1 January 2022	30,333
Shares issued during the year	1
At 31 December 2022	30,334
Shares issued during the year	- ¹
At 31 December 2023	30,334

¹ Given the low par value, the financial impact of share issues in the year rounds to zero.

Share Premium

The share premium account arises from the Company issuing shares for consideration in excess of their nominal value less the cost of such issues. During the year, the Company issued 1,615,504 ordinary shares (2022: 1,236,024 ordinary shares), resulting in an increase in share premium of £0.1 million (2022: £0.1 million). No costs in relation to the share issues were incurred during the year (2022: £nil).

25 Other Reserves

Other reserves are as follows:

	Share plan reserves £000	Treasury shares reserve £000	Capital contribution reserve £000	Merger reserve £000	Total £000
Balance at 1 January 2022	15,341	(1,353)	47	22,222	36,257
Share options issued under the employee share plan	1,334	-	-	-	1,334
Shares issued under the SIP	-	26	-	-	26
Balance at 31 December 2022	16,675	(1,327)	47	22,222	37,617
Share options issued under the employee share plan	738	-	-	-	738
Shares issued under the SIP	-	(31)	-	-	(31)
Balance at 31 December 2023	17,413	(1,358)	47	22,222	38,324

Employee Share Plans – Equity Settled

Details of the share options under employee share plans outstanding are as follows:

	EIP Number of units	MRP Number of units	EDRP Number of units
Outstanding at 1 January 2022	10,127,006	1,241,428	325,000
Exercisable at 1 January 2022	295,965	1,241,428	325,000
Awarded during the year	-	1,655,801	1,250,000
Exercised during the year	(74,076)	(583,467)	(175,000)
Lapsed during the year	(1,896,572)	-	-
Outstanding at 31 December 2022	8,156,358	2,313,762	1,400,000
Exercisable at 31 December 2022	221,889	657,961	150,000
Awarded during the year	925,000	413,776	-
Exercised during the year	(32,678)	(594,154)	(150,000)
Lapsed during the year	-	(121,065)	-
Forfeited during the year	(5,617,804)	-	(1,000,000)
Outstanding at 31 December 2023	3,430,876	2,012,319	250,000
Exercisable at 31 December 2023	189,211	1,664,637	250,000

Note – all options are nil cost and therefore the weighted average exercise price is nil. In addition to the share plans above, included in other reserves are also historic costs relating to the Long-Term Incentive Plan 2011 (2011 LTIP) and Value Creation Plan (2014 VCP).



25 Other Reserves continued

Executive Incentive Plan (EIP)

In March 2016, the Group introduced a long-term incentive plan in order to motivate and retain the Executive Directors of the Company and certain other key employees of the Group. On a yearly basis, since 2016 nil cost options were issued, which vest subject to meeting certain criteria, three years from grant. The options granted under the EIP are subject to a multiplier, which is defined by a share price target as explained in the Directors' Remuneration Report.

The following table details the awards made under the long-term incentive plan to the Executive Directors of the Company and other key employees of the Group and the fair value of the grants, with awards made to Executive Directors further detailed in the Directors' Remuneration Report.

Award date	Awarded number of options No.	Share price as of date of grant £	Risk free interest rate %	Implied share price volatility %	Fair value of EIP awards £million
March 2016 ^{1,2}	377,435 ¹	0.15	0.52	68.8	1.4
October 2017 ²	1,756,923	0.68	0.54	63.95	1.0
March 2018 ²	1,911,057	0.76	0.98	58.3	1.3
March 2019 ²	2,033,093	0.78	0.74	80.9	1.8
April 2020 ²	5,434,470	0.29	0.10	81.0	1.8
April 2021	2,500,000	0.25	0.15	102.7	0.5
September 2023	925,000	0.07	4.90	163.4	0.1

1 On the award date a total of 7,548,701 options were issued. On 14 June 2017 these awards were subdivided in line with the subdivision and consolidation of the Group's share capital (see note 24), which is the number of awards presented in the table above.

2 All grants made under these awards have now reached the end of the relevant vesting period. The exercise period extends until ten years after the award date.

The EIPs outstanding at 31 December 2023 had both a weighted average remaining contractual life and maximum term remaining of 7.1 years (2022: 7.5 years).

The total charge for the year was £0.15 million (2022: £0.90 million). Of this amount, £nil (2022: £0.05 million) was capitalised or recharged to joint venture partners and £0.15 million (2022: £0.85 million) was charged to the income statement.

Management Retention Plan (MRP)

In December 2015, the Group adopted a new share-based payment scheme, the MRP. Under the MRP, participants are granted nil cost options which vest and become exercisable on the first anniversary of grant subject to the Directors' continued employment and to a one-year holding period following the date of vesting.

Employees were granted 7,143,610 options in the MRP in lieu of waived options granted under the 2011 Long-Term Incentive Plan (LTIP) and 2016 cash bonuses. The options designated by the Group as replacement awards were accounted for as a modification of the original scheme and were valued at grant date and the options awarded in lieu of cash bonuses were measured with reference to the fair value of the services received.

The fair value of the cancelled awards was re-measured at the replacement date based on the Monte Carlo valuation model. The key inputs into the model were: replacement date share price of between £0.14 and £0.24, threshold price of between £1.351 and £1.664, a risk free interest rate of between 0.37% and 0.42% and an implied share price volatility of between 73% and 86%. It was also assumed that no dividends would be paid during the life of the options. This resulted in an incremental fair value of £0.17 million.

From March 2018 the Group has awarded ordinary shares to the former CEO and other key employees of the Group as follows, with awards made to Executive Directors further detailed in the Directors' Remuneration report:

Award date	Awarded number of ordinary shares No.
March 2018	76,310
March 2019	157,624
March and July 2020	2,326,743
March 2022	1,655,801
March 2023	413,776

The fair value of the awards is assessed using a Black-Scholes methodology. There were also a number of share exercises during each year by employees and directors of the Company.

The MRPs outstanding at 31 December 2023 had both a weighted average remaining contractual life and maximum term remaining of 7.7 years (2022: 6.7 years). The total charge for the year was £0.08 million (2022: £0.2 million). Of this amount, £nil (2022: £nil) was capitalised or recharged to joint venture partners and £0.08 million (2022: £0.2 million) was charged to the income statement.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

25 Other Reserves continued

Executive Director Retention Plan (EDRP)

In July 2015, the Group adopted a new share-based payment scheme, the EDRP. Under the EDRP, participants are granted nil cost options which vest and become exercisable on the first anniversary of grant subject to the Directors' continued employment and to a one-year holding period following the date of vesting.

Executives were granted 6,500,000 options in the EDRP in lieu of waived options granted under the 2011 Long-Term Incentive Plan (LTIP) and the Value Creation Plan (VCP). The options have been designated by the Group as replacement awards at grant date and were accounted for as a modification of the original scheme.

The fair value of the cancelled awards was re-measured at the replacement date based on the Monte Carlo valuation model. The fair value of replacement awards was based on the Monte Carlo valuation model. The key inputs into the model were: replacement date share price of £0.23, threshold price of between £0.945 and £1.664, a risk free interest rate of between 0.49% and 0.60% and an implied share price volatility of between 70% and 78%. It was also assumed that no dividends would be paid during the life of the options. This resulted in an incremental fair value of £1.5 million.

In October 2022, the Group awarded 1,250,000 ordinary shares to the new Interim Executive Chairman of the Group on appointment. The fair value of the award was calculated based on a Monte Carlo valuation model. The key inputs into the models were: share price as of date of grant of £0.898, a risk free interest rate of 3% and an implied share price volatility of 150.4%. It was also assumed that no options would be forfeited and no dividends would be paid during the life of the options. This resulted in a fair value of EIP awards of £0.7 million.

The EDRPs outstanding at 31 December 2023 had both a weighted average remaining contractual life and maximum term remaining of 2.7 years (2022: 3.4 years). The total charge for the year was £0.51 million (2022: £0.21 million). Of this amount, £nil million (2022: £0.04 million) was capitalised or recharged to joint venture partners and £0.51 million (2022: £0.17 million) was charged to the income statement.

Share Incentive Plan (SIP)

In 2013, the Group adopted an Inland Revenue approved SIP for all employees of the Group. The scheme is a tax efficient incentive plan pursuant to which all employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of Star Energy ordinary shares per month or £1,800 per annum. Under the SIP, employees are invited to make contributions to buy shares ("partnership shares"). If an employee agrees to buy partnership shares the Company currently matches the number of partnership shares bought with an award of shares ("matching shares"), on a one-for-one or two-for-one basis subject to the pre-defined quarterly production targets being met.

The total charge for the year was £0.05 million (2022: £0.06 million). Of this amount, £nil (2022: £nil) was capitalised and £0.05 million (2022: £0.06 million) was charged to the income statement.

Treasury Shares Reserve

The Treasury shares reserve consisted of shares issued to the IGas Energy Employee Benefit Trust (the "Trust"), of which the Company was the sponsoring entity. The value of such shares was recorded in the share capital and share premium accounts in the ordinary way and was also shown as a deduction from equity in this separate reserve account. There is therefore no net effect on shareholders' funds. During the year ended 31 December 2020, all remaining shares in the Trust were disposed of and the Trust was terminated on 15 January 2021. When shares are issued to the operators of the SIP, who initially hold shares on behalf of the benefitting employee, these are recorded in a manner consistent with shares previously issued to the Trust.

Capital Contribution

The capital contribution relates to cash received following the acquisition of IGas Exploration UK Limited.

Merger Reserve

The merger reserve arose as a result of a reverse acquisition on 31 December 2007 whereby Island Gas Limited (IGL) became a wholly owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the ordinary share capital of the Company. The reserve represents the difference in the fair value and the nominal value of the shares issued. The reserve is not distributable.



26 Related Party Transactions

The information below sets out transactions and balances between the Group and related parties in the normal course of business for the year ended 31 December 2023. All related party transactions were entered into on an arm's length basis.

The Non-executive Directors, Chief Executive Officer and Chief Financial Officer of the Company are considered to be the only key management personnel as defined by IAS 24 – Related Party Disclosures.

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Short-term employee benefits	890	611
Termination benefits*	–	697
Share plan	550	638
Social security costs	113	89
Fees	27	82
	1,580	2,117

* Relates to amounts paid to the previous CEO who left the Company in September 2022.

Short-term employee benefits: These amounts comprise fees paid to the key management personnel in respect of salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

Share plan: This is the cost to the Group of key management personnel's participation in the SIP, MRP, EIP, and EDRP plans, as measured by the fair value of SIP, MRPs, EIPs, and EDRPs granted, accounted for in accordance with IFRS 2.

27 Operating Segments

An operating segment is a component of the Group that engages in a business activity from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed regularly to make decisions about resources to be allocated to the segment and to assess its performance by the Chief Operating Decision Maker, which for the Group is the Board of Directors. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses. The geothermal business segment has been separately reported in 2023 and the comparative amounts have been reclassified accordingly to conform to the current year presentation.

	2023				2022			
	Oil and gas segment £000	Geothermal segment £000	Unallocated £000	Total £000	Oil and gas segment £000	Geothermal segment £000	Unallocated £000	Total £000
External revenues	49,466	–	–	49,466	59,171	–	–	59,171
Cost of sales	(32,376)	–	–	(32,376)	(30,321)	–	–	(30,321)
Gross profit	17,090	–	–	17,090	28,850	–	–	28,850
Administrative expenses	(4,395)	(1,224)	(1,671)	(7,290)	(4,676)	(732)	(807)	(6,215)
Research and non-capitalised development costs	–	(2,002)	–	(2,002)	–	(114)	–	(114)
Impairment of goodwill	–	(130)	–	(130)	–	–	–	–
Exploration and evaluation assets written off	(456)	–	–	(456)	(30,018)	–	–	(30,018)
Oil and gas assets impairment	–	–	–	–	(10,457)	–	–	(10,457)
Reversal of oil and gas assets impairment	–	–	–	–	10,489	–	–	10,489
Loss on derivative financial instruments	(25)	–	–	(25)	(6,027)	–	–	(6,027)
Other income	8	–	–	8	159	–	–	159
Segment operating profit/(loss)	12,222	(3,356)	(1,671)	7,195	(11,680)	(846)	(807)	(13,333)
Finance income				177				8
Finance costs				(4,603)				(5,091)
Finance costs – net				(4,426)				(5,083)
Profit/(loss) before income tax				2,769				(18,416)
Total assets at 31 December	139,138	6,151	–	145,289	147,663	1,324	–	148,987
Total liabilities at 31 December	(87,893)	(1,730)	(793)	(90,416)	(90,261)	(25)	(426)	(90,712)

The Group has two geographical areas of operation, being the UK and Croatia. All Group revenues are derived in the UK. There is a total of £3.4 million (2022: £nil) of non-current assets relating to operations in Croatia, with the remainder of the Group's non-current assets relating to the operations in the UK.



CONSOLIDATED FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

28 Subsequent Events

On 9 April 2024, the Group announced the closing of a new €25 million facility with Kommunalkredit Austria AG (Kommunalkredit), comprising of a facility A which was used to fund the repayment of the outstanding balance on the RBL facility and a facility B which provides funding the Group's geothermal development activities. Facility A carries a fixed interest rate of 9.384% and is repayable on 30 June 2025; facility B carries an interest rate of Euribor + 6% and has a five-year term with repayments commencing on 31 December 2025.

A security agreement was executed between Apex Corporate Trustees (UK) Limited (as security agent for Kommunalkredit) ("Apex"), the Parent Company and some of its subsidiaries, namely; IGas Energy Limited, Star Energy Limited, IGas Energy Enterprise Limited, Island Gas (Singleton) Limited, Island Gas Limited, Dart Energy (East England) Limited, Dart Energy (West England) Limited, IGas Energy Development Limited, IGas Energy Production Limited, Dart Energy (Europe) Limited and GT Energy UK Limited (as chargors) dated 9 April 2024. On the same date, Scottish bonds and floating charges were executed between Apex (as security agent) and Dart Energy (Europe) Limited and IGas Energy Production Limited (as "Scottish Chargors").

Under the terms of the security agreement, Apex has a fixed charge over certain real property (freehold and/or leasehold property), petroleum licences, all pipelines, plant, machinery, vehicles, fixtures, fittings, computers, office and other equipment and chattels and all related property rights, shares of certain subsidiaries as well as the assigned agreements and rights and all related property rights. Apex also has a first floating charge over property, assets, rights and revenues (other than those charged or assigned pursuant to the aforementioned fixed charge). Under the Scottish bonds and floating charges' terms, Apex has a first floating charge over all of the assets of the Scottish Chargors.

The new facility agreement carries certain financial covenants which have been considered in the preparation of the going concern assessment performed by the Directors as part of the preparation of the Group's consolidated financial statements.



PARENT COMPANY BALANCE SHEET

as at 31 December 2023

	Note	31 December 2023 £000	31 December 2022 £000
ASSETS			
Non-current assets			
Investments in subsidiaries	2	33,211	195,124
		33,211	195,124
Current assets			
Trade and other receivables	4	17,638	28,000
Cash and cash equivalents	5	557	1,208
		18,195	29,208
Total assets		51,406	224,332
LIABILITIES			
Current liabilities			
Trade and other payables	6	(894)	(192,154)
Borrowings	8	(5,358)	(3,325)
Provisions	9	(280)	(280)
		(6,532)	(195,759)
Non-current liabilities			
Borrowings	8	–	(5,418)
Provisions	9	(2,451)	(2,451)
		(2,451)	(7,869)
Total liabilities		(8,983)	(203,628)
Net assets		42,423	20,704
EQUITY			
Capital and reserves			
Called up share capital	11	30,334	30,334
Share premium account	11	103,189	103,068
Other reserves	12	38,324	37,617
Accumulated deficit		(129,424)	(150,315)
Total equity		42,423	20,704

As a consolidated income statement is published in this Annual Report, a separate income statement for the Company is not presented within these financial statements as permitted by Section 408 of the Companies Act 2006. The Company reported a profit for the year of £20.9 million (2022: a loss of £20.5 million).

These financial statements on [pages 83 to 100](#) were approved and authorised for issue by the Board on 24 April 2024 and are signed on its behalf by:



Chris Hopkinson
Chief Executive Officer



Frances Ward
Chief Financial Officer

The notes on [pages 86 to 100](#) form an integral part of these financial statements.



PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Called up share capital (note 11) £000	Share premium account (note 11) £000	Other reserves* (note 12) £000	Accumulated deficit £000	Total equity £000
Balance at 1 January 2022	30,333	102,992	36,257	(129,801)	39,781
Loss for the year	-	-	-	(20,514)	(20,514)
Employee share plans (note 12)	-	-	1,360	-	1,360
Issue of shares (note 11)	1	76	-	-	77
Balance at 31 December 2022	30,334	103,068	37,617	(150,315)	20,704
Profit for the year	-	-	-	20,891	20,891
Employee share plans (note 12)	-	-	707	-	707
Issue of shares (note 11)	-	121	-	-	121
Balance at 31 December 2023	30,334	103,189	38,324	(129,424)	42,423

* Other reserves include: 1) Share plan reserves comprising a EIP/MRP/EDRP reserve representing the cost of share options issued under the long-term incentive plans and share incentive plan reserve representing the cost of the partnership and matching shares; 2) a treasury shares reserve which represents the cost of shares in Star Energy Group plc purchased in the market to satisfy awards held under the Group incentive plans (see Group note 25); 3) a capital contribution reserve which arose following the acquisition of IGas Exploration UK Limited (see note 12); and 4) a merger reserve which arose on the reverse acquisition of Island Gas Limited (see note 12).

The notes on [pages 86 to 100](#) form an integral part of these financial statements.



PARENT COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2023

	Note	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Cash flows from operating activities:			
Profit/(loss) before tax		20,891	(20,514)
Share-based payment charge		305	276
Impairment of investments in subsidiaries	2	118,049	324
Reversal of previous impairment of investments in subsidiaries	2	(9,520)	-
Decrease in credit loss allowance	10	(117,221)	(5,758)
Reversal of amounts previously written off*		(11,972)	-
Finance income		(4,339)	(6,496)
Finance costs		1,179	30,122
Operating cash flows before working capital movements		(2,628)	(2,046)
Increase in trade and other receivables*		(3,187)	(4,697)
Increase in trade and other payables*		9,209	16,582
Net cash generated from operating activities		3,394	9,839
Cash flows from investing activities:			
Interest received		9	1
Net cash generated from investing activities		9	1
Cash flows from financing activities:			
Cash proceeds from issue of ordinary share capital	11	42	44
Repayment of Reserves Based Lending facility	5	(3,284)	(7,985)
Interest paid	5	(809)	(950)
Net cash used in financing activities		(4,051)	(8,891)
Net (decrease)/ increase in cash and cash equivalents in the year		(648)	949
Net foreign exchange difference	5	(3)	4
Cash and cash equivalents at the beginning of the year		1,208	255
Cash and cash equivalents at the end of the year	5	557	1,208

* During the current year, the Company and certain of its subsidiaries entered into an intercompany balance netting arrangement (the "netting arrangement"), whereby outstanding intercompany receivable balances were offset against outstanding intercompany payable balances. For Star Energy Group plc, this resulted in the part settlement of its "loans to Group companies" and "amounts due from subsidiary undertakings" balances at the date of the netting arrangement against its "amounts due to subsidiary undertakings". As no cash was transferred as part of this netting arrangement, the impact to the respective line items within the statement of cash flows has been presented on a net basis. The expected ordering of repayment of remaining intercompany balances between Group entities was reassessed following this netting arrangement, which resulted in the reinstatement of certain balances which had been previously written off as well as net reversal in the expected credit loss allowance amount.

The notes on [pages 86 to 100](#) form an integral part of these financial statements.



PARENT COMPANY FINANCIAL STATEMENTS – NOTES

for the year ended 31 December 2023

1 Accounting Policies

This note provides a list of the potentially material accounting policies adopted in the preparation of these Parent Company financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation of Financial Statements

The Parent Company financial statements of Star Energy Group plc (the “Parent Company” or “the Company”) (formerly known as IGas Energy plc) have been prepared in accordance with UK-adopted international accounting standards. The financial statements were approved by the Board and authorised for issue on 24 April 2024. Star Energy Group plc is a public limited company (limited by shares) incorporated and registered in England, United Kingdom, and listed on the Alternative Investment Market (AIM).

The Company financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at each reporting date. The Company financial statements are presented in UK pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

New and Amended IFRS Standards that are Effective for the Current Year

During the year, the Company adopted the following new and amended IFRSs for the first time for their reporting period commencing 1 January 2023:

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the standards listed above did not have a material impact on the financial statements of the Company.

New and Revised IFRS Standards in Issue but not yet Effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods. In addition, IFRS 18 Presentation and Disclosure in Financial Statements was issued on 9 April 2024, effective for periods beginning or after 1 January 2027. We are in the process of assessing the impact of this newly issued standard on our future financial statements.

(b) Going Concern

The Company is reliant on the performance of Star Energy Group plc and its subsidiaries (the “Group”) for liquidity. The Directors therefore considered the going concern assessment prepared in respect of the Group’s consolidated financial statements for the year ended 31 December 2023 which included disclosure of the following information in respect of the Group’s ability to continue as a going concern:

“The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are prepared on a monthly basis 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. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, fluctuations of sterling and reductions in forecast oil and gas production rates.

We have prepared our going concern assessment for the period to 30 September 2025.

Crude oil prices saw a decline in 2023 compared to 2022. The higher prices prevailing during 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. Prices increased in H2 2023 but remained below those seen in 2022. More recently, geopolitical tensions, including the prospect of a wider conflict in the Middle East and attacks on Russian refineries have led to concerns over supply disruption which, together with an extension of OPEC output cuts through to June 2024, have led to higher prices in 2024.

The Group has generated strong operating cash flows in 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 the availability of the monies drawn under its loan facility, which is dependent on the Group not breaching the facility’s covenants. In respect of the latter, the Group successfully completed a €25 million financing facility with Kommunalkredit, Austria in March 2024, securing funds to repay the outstanding balance on its RBL facility which was due to mature at the end of June 2024, and providing funding for its energy transition strategy.

The Group’s base case cash flow forecast was run with average oil prices of \$85/bbl for 2024, falling to \$80/bbl for H1 2025 and \$77/bbl for H2 2025, and a foreign exchange rate of an average \$1.26/£1 for 2024 and \$1.27/£1 for 2025. In this base case scenario, our forecasts show that the Group will have sufficient financial headroom to meet the applicable financial covenants over the going concern assessment period.



PARENT COMPANY FINANCIAL STATEMENTS – NOTES

for the year ended 31 December 2023

1 Accounting Policies continued**(b) Going Concern** continued

Management has also prepared a downside case with average oil prices at \$85/bbl for H1 2024 and \$81/bbl for H2 2024, falling to \$76/bbl for H1 2025 and \$73/bbl for H2 2025. We used an average exchange rate of \$1.26/£1 for H1 2024, \$1.29/£1 for H2 2024 and \$1.30/£1 for 2025. Our downside case also included an average reduction in production of 5% over the period. In the event of a downside scenario, management would take mitigating actions including delaying capital expenditure and reducing costs, in order to remain within the Group's financial covenants over the remaining facility period, should such actions be necessary. All such mitigating actions are within management's control. In this downside scenario including mitigating actions, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants over the going concern assessment period. Management remain focused on maintaining a strong balance sheet and funding to support our strategy.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for at least the next twelve months from the date of the approval of the Group financial statements and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the 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.

(c) Significant Accounting Judgements and Estimates

The preparation of the Company's financial statements in conformity with IFRSs 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 amounts of revenues and expenses during the financial year. 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 a future financial year. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

Estimates:**Recoverable Value of Investments in Subsidiaries**

The Company evaluates investments in subsidiaries for indicators of impairment as described in (d) below. Any impairment test, where required, involves estimates and associated assumptions related to matters (when appropriate), such as recoverable reserves; production profiles; forward oil, gas and electricity prices; development, operational and offtake costs; nature of land access agreements and planning permissions; application of taxes, and other matters. Where the final outcome or revised estimates related to such matters differ from the estimates used in any earlier impairment reviews, the results of such differences, to the extent that they actually affected any impairment provisions, are accounted for when such revisions are made. Details of the Company's investments are disclosed in note 2.

Expected Credit Losses

The Company applies 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 a 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 balances and the net asset position of the borrowing entity is considered when performing the expected credit loss calculation.

Judgement:**Functional Currency**

The determination of a Company's functional currency often requires significant judgement where the primary economic environment in which it operates may not be clear. The Company's financial statements are presented in UK pound sterling, the primary economic environment of the Company.

(d) Non-current Assets**Investments in Subsidiaries**

Investments in Group companies, presented as non-current assets, are held at cost less provision for impairment. Where investments were acquired in exchange for the issue or part issue of shares in the Company, cost is determined based on the fair value of the shares issued together with the fair value of any consideration paid, including costs of acquisition.

The Company's investments in Group companies are assessed for impairment on the basis set out below, whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. Any impairment is charged to the income statement.

Loans to Group companies are stated at amortised cost.

Impairment

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

- By comparing any amounts carried as investments in Group companies with the recoverable amount.
- The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The Company generally assesses 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.

Where there has been a charge for impairment in an earlier financial year that charge will be reversed in a later financial year 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 investment will be increased to the lower of its original carrying value and the carrying value that would have been determined had no impairment loss been recognised in prior financial years.



PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

1 Accounting Policies continued**(d) Non-current Assets continued****Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives, with any impairment being accounted for as additional depreciation as follows:

Buildings	– over five years on a straight-line basis
Fixtures, fittings and equipment	– between three and five years on a straight-line basis
Motor vehicles	– over four years on a straight-line basis

(e) 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. Details about the Company's impairment policy and the calculation of 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.

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 a 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 a 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.

Borrowings

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 (the "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's 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.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the financial year in which they are incurred.

Derecognition

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.



1 Accounting Policies continued

(f) Taxation

The tax expense represents the sum of current 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 financial years 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 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 balances 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 financial 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 the income statement are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

(g) Share-based Payments

Where share options are awarded to employees (including Directors), the fair value of the options at the date of the grant is recorded in equity (share plan reserves) and expensed over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including market-vesting conditions, are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured by the change from immediately before to after the modification, is expensed over the remaining vesting period, with a corresponding adjustment to reserves.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Where an equity settled award is identified as a replacement it will be treated as a modification to the original plan where the incremental fair value of the replacement award is expensed over the vesting period of the replacement award. The fair value of the original award on its grant date continues to be recognised over its original vesting period. Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

Charges corresponding to the amounts recognised in equity are accounted for as a cost in the income statement unless the services rendered qualify for capitalisation as a non-current asset. Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition of intangible assets or property, plant and equipment.

Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, the value of such shares at issue will be recorded in share capital and share premium account in the ordinary way, but will not affect shareholders' funds since this same value will be shown as a deduction from shareholders' funds by way of a separate component of equity (Treasury shares).

Amounts recognised in the share plan reserves and treasury share reserve are not subsequently reclassified within equity.

(h) Equity

Equity instruments issued by the Company are usually recorded at the proceeds received, net of direct issue costs, and allocated between called up share capital, and share premium accounts as appropriate.

(i) Foreign Currency

Transactions denominated in currencies other than the functional currency UK pound sterling 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 date of transactions. All differences that arise are recorded in the income statement.



PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

2 Investments in Subsidiaries

Investments in subsidiaries comprises:

	2023			2022		
	Investments in Group companies £000	Loans to Group companies* £000	Total £000	Investments in Group companies £000	Loans to Group companies* £000	Total £000
Parent Company						
At 1 January	33,105	264,052	297,157	32,305	257,557	289,862
Net additions / settlement under netting arrangement**	485	(155,902)	(155,417)	1,124	6,495	7,619
Impairments	(9,899)	(108,150)	(118,049)	(324)	–	(324)
Reversal of previous impairments	9,520	–	9,520	–	–	–
At 31 December	33,211	–	33,211	33,105	264,052	297,157
Credit loss allowance*	–	–	–	–	(102,033)	(102,033)
At 31 December	33,211	–	33,211	33,105	162,019	195,124

* See note 10 for credit risk.

** During the current year, the Company and certain of its subsidiaries entered into an intercompany balance netting arrangement (the “netting arrangement”), whereby outstanding intercompany receivable balances were offset against outstanding intercompany payable balances. For Star Energy Group plc, this resulted in the part settlement of its “loans to Group companies” and “amounts due from subsidiary undertakings” balances at the date of the netting arrangement against its “amounts due to subsidiary undertakings”. Also see note 4.

Loans to Group companies at 31 December 2023 comprise a loan balance held with Island Gas Limited. This loan carries interest at a fixed rate of 6% and is repayable on 31 December 2028. Subsequent to the netting arrangement, this loan was deemed to be credit impaired and written off, due to the underlying net assets of the borrower entity not being sufficient to repay the loan. All other loans to Group companies were settled in the year as part of the netting arrangement.

Additions during the year represent investment of £0.5 million (2022: £1.1 million) relating to employee share-based payment costs under IFRS 2, interest accrued on loans to Group companies of £4.3 million (2022: £6.5 million), and reinstatement of previously written off amounts of £2.8 million (2022: £nil). These additions were offset with an amount of £162.6 million (2022: £nil) representing settlement of loans to Group companies balance arising as a result of the netting arrangement, and foreign exchange movements of £0.4 million (2022: £nil).

The Company's investments in subsidiaries were reviewed for indicators of impairment as at 31 December 2023. Impairments of £9.9 million (2022: £0.3 million) are recorded against the investments which are not supported by the fair value of the underlying net assets of the respective subsidiaries. Reversal of previous impairments of £9.5 million (2022: £nil) are recorded against the investments which are now supported by the fair value of the underlying net assets of the respective subsidiaries. The fair value is determined using the same assumptions as mentioned in note 10 of the Group financial statements.



2 Investments in Subsidiaries continued

At 31 December 2023, the Company had investments in the following 100% owned subsidiaries:

Name of company	Principal activity and Country of incorporation	Registered office address
Subsidiaries directly held by the Company:		
Dart Energy Pty Ltd*	Investment holding, Australia	c/o PwC Level 23, 480 Queen Street, Brisbane QLD 4000
Island Gas Limited	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Island Gas Operations Limited	Dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Enterprise Limited	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Limited	Service company, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Star Energy Limited	Service company, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Star Energy Weald Basin Limited	Oil and gas processing, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
GT Energy UK Limited	Development of deep geothermal heat projects, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Subsidiaries indirectly held by the Company:		
Island Gas (Singleton) Limited	No operations but not dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Dart Energy (Europe) Limited	Investment holding, Scotland	c/o Womble Bond Dickinson (UK) LLP, 2 Sempole Street, Edinburgh, EH3 8BL
Dart Energy (East England) Limited	Shale gas exploration, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Dart Energy (West England) Limited	Shale gas exploration, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Development Limited	Oil and gas exploration, development and production, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGas Energy Production Limited	Oil and gas exploration, development and production, Scotland	c/o Womble Bond Dickinson (UK) LLP, 2 Sempole Street, Edinburgh, EH3 8BL
GT Energy Croatia Limited	Investment holding, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
Greenpark Energy Transportation Limited	Dormant, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
In addition, at 31 December 2023 the Company had investments in the following indirectly held 51% owned subsidiaries:		
A14 Energy Limited	Investment holding, England	Welton Gathering Centre, Barfield Lane off Wragby Road, Sudbrooke, Lincoln LN2 2QX
IGeoPen d.o.o za trogovinu i usluge	Development of deep geothermal heat projects, Croatia	Drenovačka Ulica 3, 10000, Zagreb, Croatia

* This entity is in the process of being struck-off/liquidated.



PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

3 Property, Plant and Equipment

	2023				2022			
	Buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000	Buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost								
At 1 January	–	44	20	64	–	44	20	64
Disposals/write-offs	–	–	–	–	–	–	–	–
At 31 December	–	44	20	64	–	44	20	64
Accumulated depreciation and impairment								
At 1 January	–	44	20	64	–	44	20	64
Charge for the year	–	–	–	–	–	–	–	–
Disposals/write-offs	–	–	–	–	–	–	–	–
At 31 December	–	44	20	64	–	44	20	64
NBV at 31 December	–	–	–	–	–	–	–	–

4 Trade and Other Receivables

	31 December 2023 £000	31 December 2022 £000
Amounts falling due within one year:		
Amounts due from subsidiary undertakings	28,034	53,551
Less: Credit loss allowance*	(10,608)	(25,796)
VAT recoverable	4	20
Prepayments and other debtors	208	225
	17,638	28,000

* See note 10 for credit risk.

Amounts due from subsidiary undertakings are unsecured, interest free and payment terms are as mutually agreed between Group companies.

Amounts due from subsidiary undertakings are stated after the expected credit loss allowance of £10.6 million (2022: £25.8 million). The allowance is determined by comparing the carrying amount of the receivable with the fair value of the net assets of the counterparty. The fair value is determined using the same assumptions as mentioned in note 10 of the Group financial statements. The expected credit loss allowance reduced during the year as a result of the rationalisation of the remaining intercompany balances between Group entities following the intercompany balance netting arrangement as more fully explained in note 2.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

5 Cash and Cash Equivalents

	31 December 2023 £000	31 December 2022 £000
Cash at bank and in hand	557	1,208
Net Debt Reconciliation		
Cash and cash equivalents	557	1,208
Borrowings	(5,358)	(8,743)
Net debt	(4,801)	(7,535)
Capitalised fees	(133)	(401)
Net debt excluding capitalised fees	(4,934)	(7,936)



5 Cash and Cash Equivalents continued

Net Debt Reconciliation continued

	2023			2022		
	Cash and cash equivalents	Borrowings	Total	Cash and cash equivalents	Borrowings	Total
	£000	£000	£000	£000	£000	£000
Net debt as at 1 January	1,208	(8,743)	(7,535)	255	(14,836)	(14,581)
Interest paid on borrowing	(809)	–	(809)	(950)	–	(950)
Repayment of RBL (note 8)	(3,284)	3,284	–	(7,985)	7,985	–
Foreign exchange adjustments	(3)	369	366	4	(1,624)	(1,620)
Other cash flows	3,445	–	3,445	9,884	–	9,884
Other non-cash movements	–	(268)	(268)	–	(268)	(268)
Net debt as at 31 December	557	(5,358)	(4,801)	1,208	(8,743)	(7,535)

6 Trade and Other Payables

	31 December 2023	31 December 2022
	£000	£000
Trade creditors	(34)	(75)
Taxation and social security	(32)	(29)
Amounts due to subsidiary undertakings	–	(191,853)
Accruals and other creditors	(828)	(197)
	(894)	(192,154)

Trade creditors are unsecured and usually paid within 30 days of recognition. Amounts due to subsidiary undertakings are unsecured, interest free and are repayable on demand. During the current year, amounts due to subsidiary undertakings were fully settled as part of the intercompany balance netting arrangement as more fully explained in note 2 to the financial statements.

The carrying value of each of the Company's financial liabilities included within trade and other payables are considered to be a reasonable approximation of their fair value.

7 Taxation

Tax losses, none of which are considered sufficiently certain of utilisation to recognise deferred tax assets, amount to:

	Year ended 31 December 2023	Year ended 31 December 2022
	£000	£000
Excess management expenses	21,731	20,060
Non-trade loan relationship debits	62,152	43,390
	83,883	63,450

8 Borrowings

	31 December 2023	31 December 2022
	£000	£000
Reserve-Based Lending Facility (RBL) – secured (current)	(5,358)	(3,325)
Reserve-Based Lending Facility (RBL) – secured (non-current)	–	(5,418)
	(5,358)	(8,743)

The carrying amounts of each of the Company's financial liabilities included within borrowings are considered to be a reasonable approximation of their fair value.



PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

8 Borrowings continued**Reserves Based Lending facility**

In October 2019, the Company signed a \$40.0 million RBL facility with BMO Capital Markets (BMO). In addition to the committed \$40.0 million RBL, a further \$20.0 million is available on an uncommitted basis, and can be used for any future acquisitions or new conventional developments. The RBL has a five-year term, an interest rate of USD LIBOR plus 4.0%, matures in June 2024 and is secured against assets of the Company and certain of its subsidiaries. USD LIBOR ceased to be published from 30 June 2023 and the facility was amended to replace LIBOR with the Secured Overnight Finance Rate (SOFR) with effect from 1 July 2023. There was no material impact on the financial position and performance of the Company resulting from this transition.

As at 31 December 2023, we had an available facility limit of \$7.0 million, in line with the loan facility amortisation schedule. The current portion of the borrowings have been assessed on the basis of the RBL loan facility amortising in line with the contractual terms and being fully repayable within a period of next 12 months.

We made a repayment on the loan of £3.3 million during the year (2022: £ 8.0 million).

Under the terms of the RBL, the Company is subject to a financial covenant whereby, as at 30 June and 31 December each year, the ratio of Group Net Debt at the period end to Group Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional items ("EBITDAX" as defined in the RBL agreement) for the previous 12 months shall be less than or equal to 3.5:1. The Company complied with its covenants for the financial years ended 31 December 2023 and 31 December 2022.

On 9 April 2024 the Company announced the closing of a new €25.0 million facility with Kommunalkredit Austria AG (Kommunalkredit), which was used to pay the outstanding balance on the RBL facility, in addition to providing funding for the geothermal development activities of certain of the Company's subsidiaries (see note 14).

Collateral against Borrowing

A Security Agreement was executed between BMO and Star Energy Group plc and some of its subsidiaries, namely; Island Gas Limited, Island Gas Operations Limited, Star Energy Weald Basin Limited, IGas Energy Limited, Star Energy Limited, Island Gas (Singleton) Limited, Dart Energy (East England) Limited, Dart Energy (West England) Limited, IGas Energy Development Limited, IGas Energy Enterprise Limited, Dart Energy (Europe) Limited and IGas Energy Production Limited.

Under the terms of this Agreement, BMO has a floating charge over all of the assets of these legal entities, other than property, assets, rights and revenue detailed in a fixed charge. The fixed charge encompasses the Real Property (freehold and/or leasehold property), the specific petroleum licences, all pipelines, plant, machinery, vehicles, fixtures, fittings, computers, office and other equipment, all related property rights, all bank accounts, shares and assigned agreements and rights including related property rights (hedging agreements, all assigned intergroup receivables and each required insurance and the insurance proceeds).

9 Provisions

	2023 £000	2022 £000
At 1 January	(2,731)	(2,731)
At 31 December	(2,731)	(2,731)
Current at 31 December	(280)	(280)
Non-current at 31 December	(2,451)	(2,451)

The contingent consideration at the balance sheet date relates to the amount arising on the acquisition of GT Energy UK Limited. The contingent consideration is payable in shares and is dependent on the timing of various milestones being achieved. It is also dependent on the inputs to an agreed-form economic model which determines the level of the consideration for each milestone in accordance with the SPA. These inputs relate to targets for aspects of the Stoke-on-Trent project, including funding, amount of heat delivered, and costs and revenues achieved. The fair value of the consideration for each milestone recognised was calculated by determining the probability weighted value of each payment and discounted using a WACC of 8.3%. In addition, there is a business development milestone relating to securing and achieving targets for a second geothermal project or generating additional capacity for the Stoke-on-Trent project. The acquisition agreement and economic model assumed the availability of the Renewable Heat Incentive (RHI), which closed to applications from 31 March 2021. In March 2022, the UK Government launched the GHNF and we have applied for funding for the Stoke-on-Trent project in the first round. The change in nature of the government support for the project is not provided for in the economic model or the SPA. Whilst the contractual implications on the acquisition agreement are being assessed, management believes that the current value provides the best estimate of the contingent consideration at this time. The estimated fair value will be reviewed as the project progresses and more information becomes available.



10 Financial Instruments and Risk Management

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There are no non-recurring fair value measurements nor have there been any transfers between levels of the fair value hierarchy.

Financial Risk Management

The Company's principal financial liabilities comprise borrowings, and trade and other payables, including amounts due to subsidiary undertakings. The main purpose of these financial liabilities is to finance the operation of the Company's subsidiaries and to fund acquisitions. The Company has trade and other receivables, and cash and cash equivalents that are derived directly from its operations.

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 interest rate, and foreign currency risks;
- Credit risk; and
- Liquidity risk.

Management reviews and agrees policies for managing each of these risks which are summarised below. It is the Company's policy that all transactions involving derivatives must be directly related to the underlying business of the Company. The Company does not use derivative financial instruments for speculative purposes.

Market 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 factors, such as interest rate and foreign currency exchange rates.

The sensitivity analyses below have been prepared on the basis that the amount of net debt, and the proportion of financial instruments in foreign currencies are all constant. The sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans with related parties and the RBL facility with BMO Capital Markets (BMO) (see note 8 for further details).

The following table summarises the impact on profit/(loss) before tax for changes in interest rates on the fair value of the loans to related parties and the drawn RBL balance. The analysis is based on the assumption that LIBOR moves 50 basis points, with all other variables held constant.

	Increase/(decrease) in profit before tax or decrease/ (increase) in loss before tax and corresponding impact in equity	
	31 December 2023 £000	31 December 2022 £000
50 basis point increase in LIBOR	220	309
50 basis point decrease in LIBOR	(220)	(309)



PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

10 Financial Instruments and Risk Management continued**Market Risk** continued**Foreign Currency Risk**

The Company has transactional currency exposures. Such exposure arises from purchases in currencies other than the UK pound sterling, the functional currency of the Company. The Company's borrowings are also denominated in US dollars.

The following table summarises the impact on profit/(loss) before tax for changes in the US dollar/UK pound sterling exchange rate on financial assets and liabilities as at the year end, principally relating to the Company's borrowings which are denominated in US dollars. The impact on equity is the same as the impact on profit/(loss) before tax.

The analysis is based on the assumption that the pound moves 10%, with all other variables held constant.

	Increase/(decrease) in profit before tax or decrease/ (increase) in loss before tax and corresponding impact in equity	
	31 December 2023 £000	31 December 2022 £000
10% strengthening of the pound against the US dollar	542	908
10% weakening of the pound against the US dollar	(542)	(908)

Credit Risk

With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents and amounts due from subsidiary undertakings, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The expected credit loss allowance against amounts due from subsidiary undertakings amounts to £10.6 million (2022: £25.8 million). The Company limits its counterparty credit risk on cash and cash equivalents by dealing only with financial institutions with credit ratings of at least A or equivalent other than if the UK government is a majority shareholder. Cash and cash equivalents of £0.6 million (2022: £1.2 million) were held with two institutions.

As mentioned in note 2, the loan to subsidiaries amount of £108.2 million at the balance sheet date representing a loan balance with Island Gas Limited was deemed to be credit impaired and written off in the year. The loans to subsidiaries amount at the previous balance sheet date carried an expected credit loss allowance of £102.0 million which was reversed in the year following the settlement of the related loans as part of the netting arrangement (see note 2).

The loss allowance for the loans to subsidiaries and amounts due from subsidiary undertakings as at 31 December reconciles to the opening loss allowance as follows:

	2023 £000	2022 £000
Opening loss allowance at 1 January	127,829	133,587
(Decrease)/increase in 12 month expected loss allowance recognised in income statement during the year	(5,504)	364
Decrease in lifetime expected credit loss allowance recognised in income statement during the year	(111,717)	(6,122)
Closing loss allowance at 31 December	10,608	127,829



10 Financial Instruments and Risk Management continued

Liquidity Risk

The Company manages liquidity risk by maintaining adequate banking 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.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	On demand £000	<1 year £000	1–2 years £000	2–3 years £000	>3 years £000	Total £000
At 31 December 2023						
Borrowings	–	(5,491)	–	–	–	(5,491)
Trade and other payables	–	(34)	–	–	–	(34)
Accruals and other creditors	–	(828)	–	–	–	(828)
	–	(6,353)	–	–	–	(6,353)
At 31 December 2022						
Borrowings	–	(3,325)	(5,819)	–	–	(9,144)
Trade and other payables	–	(75)	–	–	–	(75)
Accruals and other creditors	–	(197)	–	–	–	(197)
Amounts due to subsidiary undertakings	(191,853)	–	–	–	–	(191,853)
	(191,853)	(3,597)	(5,819)	–	–	(201,269)

Capital Management

The Company manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Company's funding requirements are met through a combination of debt and equity and adjustments are made in light of changes in economic conditions. The Company's strategy is to maintain ratios in line with covenants associated with its secured borrowing facilities (see note 8). The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Company includes within net debt, interest-bearing loans less cash and cash equivalents. Capital includes share capital, share premium, other reserves and accumulated profits/losses.

The Company signed a \$40.0 million RBL facility with BMO Capital Markets (BMO) on 3 October 2019 which was due to be fully repaid by June 2024. On 9 April 2024 the Company announced the closing of a new €25.0 million facility with Kommunalkredit Austria AG (Kommunalkredit), which was used to repay the outstanding balance on the RBL facility, in addition to providing funding for the geothermal development activities of certain of the Company's subsidiaries (see note 14). Management remains focused on maintaining a strong balance sheet and funding to support our strategy.



PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

11 Share Capital and Share Premium

On 3 April 2017, the shareholders approved the subdivision of each of the 303,305,534 ordinary shares of 10p each of the Company into one new ordinary share of 0.0001p each and one deferred share of 9.9999p each. At the AGM of the Company on 14 June 2017, the shareholders approved a consolidation and subdivision of the Company's share capital in order to reduce the number of shares in issue to that more appropriate for the size of the Company. Following the consolidation, every 200 ordinary shares of 0.0001 pence each were consolidated into one new ordinary share of 0.02 pence each and immediately sub-divided into 10 ordinary shares of 0.002 pence. The consolidation and subdivision reduced the number of shares in issue from 2.4 billion to 121 million.

	Ordinary shares		Deferred shares*		Share capital	Share premium
	No.	Nominal value £000	No.	Nominal value £000	Nominal value £000	Nominal value £000
Issued and fully paid						
At 1 January 2022	125,495,505	2	303,305,534	30,331	30,333	102,992
2022 SIP share issue partnership	217,861	1	-	-	1	43
2022 SIP share issue – matching	185,620	-	-	-	-	33
Shares issued in respect of MRP exercises	583,467	-	-	-	-	-
Shares issued in respect of EDRP exercises	175,000	-	-	-	-	-
Shares issued in respect of EIP exercises	74,076	-	-	-	-	-
At 31 December 2022	126,731,529	3	303,305,534	30,331	30,334	103,068
2023 SIP share issue – partnership	287,356	-	-	-	-	42
2023 SIP share issue – matching	551,316	-	-	-	-	79
Shares issued in respect of MRP exercises	594,154	-	-	-	-	-
Shares issued in respect of EDRP exercises	150,000	-	-	-	-	-
Shares issued in respect of EIP exercises	32,678	-	-	-	-	-
At 31 December 2023	128,347,033	3	303,305,534	30,331	30,334	103,189

* Deferred shares were created on capital restructuring which completed in April 2017.

Accordingly, the Company share capital account comprised:

	£000
Share capital account	
At 1 January 2022	30,333
Shares issued during the year	1
At 31 December 2022	30,334
Shares issued during the year	¹
At 31 December 2023	30,334

¹ Given the low par value, the financial impact of share issues in the year rounds to zero.

Share Premium

The share premium account arises from the Company issuing shares for consideration in excess of their nominal value less the cost of such issues. During the year, the Company issued 1,615,504 ordinary shares (2022: 1,236,024 ordinary shares), resulting in an increase in share premium of £0.1 million (2022: £0.1 million). No costs in relation to the share issues were incurred during the year (2022: £nil).

12 Other Reserves

	Share plan reserves £000	Treasury shares reserve £000	Capital contribution reserve £000	Merger reserve £000	Total £000
Other reserves are as follows:					
Balance at 1 January 2022	15,341	(1,353)	47	22,222	36,257
Share options issued under the employee share plan	1,334	-	-	-	1,334
Shares issued under the SIP	-	26	-	-	26
Balance at 31 December 2022	16,675	(1,327)	47	22,222	37,617
Share options issued under the employee share plan	738	-	-	-	738
Shares issued under the SIP	-	(31)	-	-	(31)
Balance at 31 December 2023	17,413	(1,358)	47	22,222	38,324



12 Other Reserves continued

Employee Share Plans – Equity Settled

Details of the share options under employee share plans outstanding are as follows:

	EIP Number of units	MRP Number of units	EDRP Number of units
Outstanding at 1 January 2022	10,127,006	1,241,428	325,000
Exercisable at 1 January 2022	295,965	1,241,428	325,000
Awarded during the year	–	1,655,801	1,250,000
Exercised during the year	(74,076)	(583,467)	(175,000)
Lapsed during the year	(1,896,572)	–	–
Outstanding at 31 December 2022	8,156,358	2,313,762	1,400,000
Exercisable at 31 December 2022	221,889	657,961	150,000
Awarded during the year	925,000	413,776	–
Exercised during the year	(32,678)	(594,154)	(150,000)
Lapsed during the year	–	(121,065)	–
Forfeited during the year	(5,617,804)	–	(1,000,000)
Outstanding at 31 December 2023	3,430,876	2,012,319	250,000
Exercisable at 31 December 2023	189,211	1,664,637	250,000

Note – all options are nil cost and therefore the weighted average exercise price is nil. In addition to the share plans above, included in other reserves are also historic costs relating to the Long-Term Incentive Plan 2011 (2011 LTIP) and Value Creation Plan (2014 VCP).

Detailed disclosure of each employee share plan scheme is in the Group consolidated financial statements note 25.

Executive Incentive Plan (EIP)

The total charge for the year was £0.02 million (2022: £0.14 million). Of this amount, £nil (2022: £nil) was capitalised or recharged to joint venture partners and £0.02 million (2022: £0.14 million) was charged to the income statement.

Management Retention Plan (MRP)

The total charge for the year was £0.02 million (2022: £0.14). Of this amount, £nil (2022: £nil) was capitalised or recharged to joint venture partners and £0.02 million (2022: £0.14 million) was charged to the income statement.

Executive Director Retention Plan (EDRP)

The total charge for the year was £0.25 million (2022: £0.08 million). Of this amount, £nil (2022: £nil) was capitalised or recharged to joint venture partners and £0.25 million (2022: £0.08 million) was charged to the income statement.

Other Share-based Payments

Detailed disclosure of other share-based payments is in note 25 in the Group consolidated financial statements.

Share Incentive Plan (SIP)

The total charge for the year was £nil (2022: £nil).

Merger Reserve

The merger reserve arose as a result of a reverse acquisition on 31 December 2007 whereby Island Gas Limited (IGL) became a wholly owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the ordinary share capital of the Company. The reserve represents the difference in the fair value and the nominal value of the shares issued. The reserve is not distributable.

Treasury Shares Reserve

The Treasury shares reserve consisted of shares issued to the IGas Energy Employee Benefit Trust (the "Trust"), of which the Company was the sponsoring entity. The value of such shares was recorded in the share capital and share premium accounts in the ordinary way and was also shown as a deduction from equity in this separate reserve account. There is therefore no net effect on shareholders' funds. During the year ended 31 December 2020, all remaining shares in the Trust were disposed of and the Trust was terminated on 15 January 2021. When shares are issued to the operators of the SIP, who initially hold shares on behalf of the benefiting employee, these are recorded in a manner consistent with shares previously issued to the Trust.

Capital Contribution

The capital contribution relates to cash received following the acquisition of IGas Exploration UK Limited.



PARENT COMPANY FINANCIAL STATEMENTS – NOTES CONTINUED

for the year ended 31 December 2023

13 Related Party Transactions**(a) With Group Companies**

A summary of the transactions in the year is as follows:

	2023 £000	2022 £000
Amounts due from/(to) subsidiaries:		
At 1 January	(2,079)	25,089
Services performed for subsidiary entities	1,772	492
Net cash advances	(7,269)	(12,627)
Group loan interest	4,330	6,495
Reversal of previously written off balance	11,972	-
Impairment of loan to Group companies (note 2)	(108,150)	-
Allowance for credit loss (note 10)	117,221	5,759
Revaluations	(371)	(27,287)
At 31 December	17,426	(2,079)
	31 December 2023 £000	31 December 2022 £000
Amounts due from subsidiary undertakings (note 4)*	17,426	27,755
Amounts due to subsidiary undertakings (note 6)	-	(191,853)
Loans to Group companies (note 2)	-	162,019
Total	17,426	(2,079)

* Represents net amount due from subsidiary undertakings, after adjusting for the related expected credit loss allowance.

Payment terms for balances due to or from subsidiaries are as mutually agreed between the Group companies. The payment terms in respect of loans are detailed in note 2.

(b) With Directors

Key management as defined by IAS 24 – Related Party Disclosures are those persons having authority and responsibility for planning, controlling and directing the activities of the Company. In the opinion of the Board, the Company's key management are the Directors of the Company. Information regarding their compensation is given in note 26 of the Group financial statements.

14 Subsequent Events

On 9 April 2024, the Company announced the closing of a new €25 million facility with Kommunalkredit Austria AG (Kommunalkredit), comprising of a facility A which was used to fund the repayment of the outstanding balance on the RBL facility and a facility B which provides funding the geothermal development activities of certain of the Company's subsidiaries. Facility A carries a fixed interest rate of 9.384% and is repayable on 30 June 2025; facility B carries an interest rate of Euribor + 6% and has a five-year term with repayments commencing on 31 December 2025.

A security agreement was executed between Apex Corporate Trustees (UK) Limited (as security agent for Kommunalkredit Austria AG) ("Apex"), the Company and some of its subsidiaries, namely; IGas Energy Limited, Star Energy Limited, IGas Energy Enterprise Limited, Island Gas (Singleton) Limited, Island Gas Limited, Dart Energy (East England) Limited, Dart Energy (West England) Limited, IGas Energy Development Limited, IGas Energy Production Limited, Dart Energy (Europe) Limited and GT Energy UK Limited (as chargors) dated 9 April 2024. On the same date, Scottish bonds and floating charges were executed between Apex (as security agent) and Dart Energy (Europe) Limited and IGas Energy Production Limited (as "Scottish Chargors").

Under the terms of the security agreement, Apex has a fixed charge over certain real property (freehold and/or leasehold property), petroleum licences, all pipelines, plant, machinery, vehicles, fixtures, fittings, computers, office and other equipment and chattels and all related property rights, shares of certain subsidiaries as well as the assigned agreements and rights and all related property rights. Apex also has a first floating charge over property, assets, rights and revenues (other than those charged or assigned pursuant to the aforementioned fixed charge). Under the Scottish bonds and floating charges' terms, Apex has a first floating charge over all of the assets of the Scottish Chargors.

The new facility agreement carries certain financial covenants which have been considered in the preparation of the going concern assessment performed by the Directors as part of the preparation of the Company's financial statements.



OIL AND GAS RESERVES

as at 31 December 2023

The Group's estimate of proved plus probable reserves at 31 December 2023 is based on an independent evaluation of Star Energy's conventional oil and gas interests prepared by D&M, a leading international reserves and resources auditors. Proved reserves are estimated reserves that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years under existing economic and operating conditions, while probable reserves are estimated reserves determined to be more likely than not to be recoverable in future years under existing economic and operating conditions.

All of the Group's oil and gas assets are located in the United Kingdom.

Group Proved Plus Probable Reserves

	Oil mmbbls	Gas Bcf	Total mmboe
At 1 January 2023	15.13	11.10	17.04
Additions during the year	–	–	–
Revision of previous estimates	1.10	0.15	1.13
Production*	(0.66)	(0.25)	(0.70)
Total change during the year	0.44	(0.10)	0.43
At 31 December 2023	15.57	11.00	17.47

* The production in the reserves movement table incorporates production at the following sites: Albury, Beckingham, Bletchingley, Bothamsall, Cold Hanworth, Corringham, East Glentworth, Eglington, Glentworth, Goodworth, Horndean, Long Clawson, Palmers Wood, Scampton North, Singleton, Stockbridge and Welton.



STAR ENERGY GROUP PLC ONSHORE UK LICENCE INTERESTS

Licence	Fields	Area km ²	Star Energy interest	Operator	Other partners
East Midlands					
AL 009	Dunholme	9	100%	Star Energy	
ML 3	Egmanton	26	100%	Star Energy	
ML 4	Gainsborough, Beckingham, Corringham, Glentworth	72	100%	Star Energy	
ML 6	Bothamsall	11	100%	Star Energy	
ML 7	South Leverton	11	100%	Star Energy	
PEDL 006	Cold Hanworth	136	100%	Star Energy	
PEDL 012		33	55%	Star Energy	INEOS
PEDL 139		100	32%	Star Energy	INEOS, Egdon, Ecorp
PEDL 140		142	32%	Star Energy	INEOS, Egdon, Ecorp
PEDL 169		62	80%	Star Energy	Egdon
PEDL 210	Hemswell	116	75%	Star Energy	INEOS
PEDL 273		194	55%	Star Energy	Egdon, INEOS
PEDL 278		38	50%	Star Energy	Egdon
PEDL 305		143	55%	Star Energy	Egdon, INEOS
PEDL 316		111	55%	Star Energy	Egdon, INEOS
PL 178	West Beckingham	2	100%	Star Energy	
PL 179	Welton, Stainton, Nettleham, Scampton South, Scampton North, East Glentworth	107	100%	Star Energy	
PL 199	Nettleham	4	100%	Star Energy	
PL 220	Long Clawson, Rempstone	13	100%	Star Energy	
Weald Basin					
DL 002	Stockbridge	10	100%	Star Energy	
DL 004	Albury	14	100%	Star Energy	
ML 18	Bletchingley	8	100%	Star Energy	
ML 21	Bletchingley	9	100%	Star Energy	
PEDL 021	Goodworth	50	100%	Star Energy	
PEDL 070	Avington	18	54%	Star Energy	Egdon, Aurora, UKOG, Corfe
PEDL 235	Godley Bridge	100	100%	Star Energy	
PL 182	Palmer's Wood	55	100%	Star Energy	
PL 205	Storrington	18	100%	Star Energy	
PL 211	Horndean	27	90%	Star Energy	UKOG
PL 233	Stockbridge	58	100%	Star Energy	
PL 240	Singleton	46	100%	Star Energy	
PL 249	Stockbridge	16	100%	Star Energy	



Licence	Fields	Area km ²	Star Energy interest	Operator	Other partners
North West					
EXL 273		48	15%	INEOS	
PEDL 145		74	40%	INEOS	
PEDL 147		89	25%	Star Energy	INEOS
PEDL 184		286	50%	Star Energy	INEOS
PEDL 189		100	25%	Star Energy	INEOS
PEDL 193		296	40%	INEOS	
PEDL 293		200	30%	INEOS	
PEDL 295		200	30%	INEOS	
Scotland					
P 1270	Lybster	16	100%	Star Energy	
PEDL 158	Lybster	46	100%	Star Energy	



GLOSSARY

£	The lawful currency of the United Kingdom
\$	The lawful currency of the United States of America
€	The lawful currency of the European Union
1P	Low estimate of commercially recoverable reserves
2P	Best estimate of commercially recoverable reserves
3P	High estimate of commercially recoverable reserves
1C	Low estimate or low case of Contingent Recoverable Resource quantity
2C	Best estimate or mid case of Contingent Recoverable Resource quantity
3C	High estimate or high case of Contingent Recoverable Resource quantity
AIM	AIM market of the London Stock Exchange
BCF	billions of standard cubic feet of gas
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
Contingent Recoverable Resource	Contingent Recoverable Resource estimates are prepared in accordance with the Petroleum Resources Management System (PRMS), an industry recognised standard. A Contingent Recoverable Resource is defined as discovered potentially recoverable quantities of hydrocarbons where there is no current certainty that it will be commercially viable to produce any portion of the contingent resources evaluated. Contingent Recoverable Resources are further divided into three status groups: marginal, sub-marginal, and undetermined. Star Energy's Contingent Recoverable Resources all fall into the undetermined group. Undetermined is the status group where it is considered premature to clearly define the ultimate chance of commerciality.
GIIP	Gas initially in place
m	Million
Mbbl	Thousands of barrels
MMboe	Millions of barrels of oil equivalent
MMscfd	Millions of standard cubic feet per day
NBP	National balancing point – a virtual trading location for the sale and purchase and exchange of UK natural gas
PEDL	United Kingdom petroleum exploration and development licence
PL	Production licence
TCF	Trillions of standard cubic feet of gas
UK	United Kingdom
USD	The lawful currency of the United States of America



GENERAL INFORMATION**Directors**

C Hopkinson – Chief Executive Officer
F Ward – Chief Financial Officer
P Jackson – Non-executive Chairman
K Copping – Non-executive
D Fleming – Non-executive
A Erdly – Non-executive
A White – Non-executive

Company Secretary

Thamala Perera Schuetze

Banker

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1 Churchill Place
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Registered office

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Nominated Adviser and Joint Broker**Investec Bank plc**

30 Gresham Street
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Joint Broker**Canaccord Genuity Limited**

88 Wood Street
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EC2V 7QR

Registrar**Computershare Investor Services plc**

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Independent Auditors**PricewaterhouseCoopers LLP**

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