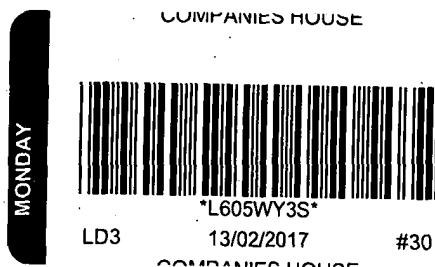


# Third Energy UK Gas Limited

## Financial Statements

for the year ended 31 December 2015



Company Registration No.01421481

**Third Energy UK Gas Limited**  
**Contents of the Financial Statements**  
for the year ended 31 December 2015

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# Third Energy UK Gas Limited

## Company information

for the year ended 31 December 2015

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**Directors**

R Valand  
JAG Dewar  
DJ Robottom

**Secretary**

Pinsent Masons Secretarial Limited

**Registered office**

Knapton Generating Station  
East Knapton  
Malton  
North Yorkshire  
YO17 8JF

**Registered number**

01421481

**Independent auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

# Third Energy UK Gas Limited

## Directors' report

Company Registration No. 01421481

The directors submit their report and the financial statements of Third Energy UK Gas Limited for the year ended 31 December 2015.

### Principal activities

The principal activity of the Company continues to be that of the appraisal and development of gas assets in the United Kingdom. The gas produced is sold to Third Energy Trading Limited, a fellow subsidiary of Third Energy Holdings Limited.

### Review of the business

The Company has taken advantage of the small companies exemption not to prepare a strategic report.

The results for the year are shown on page 6 and are summarised as follows:

	2015	2014
	£'000	£'000
Turnover	<u>428</u>	<u>897</u>
(Loss) for the financial year	<u>(3,854)</u>	<u>(4,416)</u>

These results are in line with the directors' expectations.

The directors do not recommend the payment of a dividend.

### Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

The company forms part of an operating model that includes other entities within the Group to which the Company belongs so the Directors review the going concern of the Company as part of a review of the Group as a whole. As such, the directors have reviewed the Group's forecasts for the period to 31st January 2018 which incorporate all firm commitments in accordance with the Group's business plans and which confirm that the Company can rely on the support of its parent company, Third Energy Holdings Limited. The directors believe that, with the continued support of its parent company, the Company can continue as a going concern, and has the necessary funding available to ensure that it continues to trade on the going concern basis, for the reasonably foreseeable future.

The Company has net current liabilities of £50,019,000 (2014: £44,269,000) but included within this is an amount owed to group undertakings of £44,475,000 which is owed to the ultimate parent company, Third Energy Holdings Limited (2014: £40,667,000). This amount is repayable on demand but the directors of Third Energy Holdings Limited have confirmed that it is not their intention to seek repayment of this amount within the twelve months following the balance sheet date. There is no interest charged on this amount.

Also included within net current liabilities are amounts owed to group undertakings of £6,396,000 which are owed to fellow subsidiary companies (2014: £5,147,000). These amounts are repayable on demand but the directors of those companies have confirmed that it is not their intention to seek repayment of these amounts within the twelve months following the balance sheet date. There is no interest charged on these amounts.

The directors have placed their usual reliance on the confirmation of the holding company and fellow subsidiary companies that they will not seek repayment of these amounts totalling £50,871,000 (2014: £45,814,000) in reaching their opinion that the Company can continue as a going concern.

### Directors

The directors who have held office since 1<sup>st</sup> January 2015 are set out below:

Mr R Valand  
Mr JAG Dewar  
Mr DJ Robottom

# Third Energy UK Gas Limited

## Directors' report

Company Registration No. 01421481

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### Political contributions

The Company made no political donations and did not incur any political expenditure during the year.

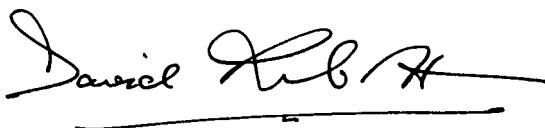
### Disclosure of information to auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board



David Robottom  
Director

13 February 2017

Knapton Generating Station  
East Knapton  
Malton  
North Yorkshire  
YO17 8JF

# Third Energy UK Gas Limited

## Directors' responsibilities in the preparation of financial statements

---

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## Independent auditor's report to the members of Third Energy UK Gas Limited

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We have audited the financial statements of Third Energy UK Gas Limited (the Company) for the year ended 31 December 2015 set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As more fully explained in the Director's Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of the loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



**Mark Smith (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

London

E14 5GL

13 February 2017

# Third Energy UK Gas Limited

Profit and loss account and Other Comprehensive Income  
for the year ended 31 December 2015

Company Registration No. 01421481

	<i>Notes</i>	2015 £'000	2014 £'000
<b>Turnover</b>	<i>1</i>	428	897
Cost of sales		(1,852)	(3,004)
<b>Gross (loss)</b>		<u>(1,424)</u>	<u>(2,107)</u>
Administration expenses		(2,252)	(2,138)
<b>Operating (loss)</b>	<i>2 &amp; 3</i>	<u>(3,676)</u>	<u>(4,245)</u>
Interest receivable and similar income	<i>4</i>	1	2
Interest payable and similar charges	<i>5</i>	(179)	(173)
<b>(Loss) on ordinary activities before taxation</b>		<u>(3,854)</u>	<u>(4,416)</u>
Tax on loss on ordinary activities	<i>6</i>	-	-
<b>(Loss) for the financial year</b>	<i>13</i>	<u><u>(3,854)</u></u>	<u><u>(4,416)</u></u>
<b>Total comprehensive (loss) for the period</b>		<u><u>(3,854)</u></u>	<u><u>(4,416)</u></u>

The result for the year arises from the Company's continuing operations.

The Company has no items of other comprehensive income or expense in the periods being reported upon.

The notes on pages 9 to 18 form part of these financial statements.



# Third Energy UK Gas Limited

## Balance Sheet

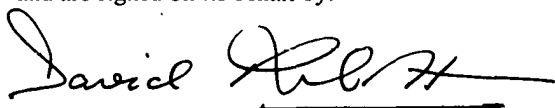
31 December 2015

Company Registration No. 01421481

	<i>Notes</i>	2015 £'000	2014 £'000
<b>Fixed Assets</b>			
Intangible assets	7	22,403	20,607
Tangible assets	8	896	623
		<u>23,299</u>	<u>21,230</u>
<b>Current Assets</b>			
Debtors	9	1,631	1,730
Cash at bank and in hand		103	54
		<u>1,734</u>	<u>1,784</u>
<b>Creditors: Amounts falling due within one year</b>	10	(51,753)	(46,054)
<b>Net Current Liabilities</b>		<u>(50,019)</u>	<u>(44,270)</u>
<b>Total Assets less Current Liabilities</b>		(26,720)	(23,040)
Provisions for liabilities	11	(3,347)	(3,173)
<b>Net Liabilities</b>		<u>(30,067)</u>	<u>(26,213)</u>
<b>Capital and reserves</b>			
Called up share capital	12	11,600	11,600
Capital contribution		5,790	5,790
Profit and loss account - (deficit)	13	(47,457)	(43,603)
<b>Deficit on shareholders' funds</b>	14	<u>(30,067)</u>	<u>(26,213)</u>

The notes on pages 9 to 18 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 13 February 2017 and are signed on its behalf by:



David Robottom  
Director

# Third Energy UK Gas Limited

## Statement of Changes in Equity

31 December 2015

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	Called-up share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
At 1 January 2014	11,600	5,790	(39,187)	(21,797)
Loss for the financial year	-	-	(4,416)	(4,416)
At 31 December 2014	<u>11,600</u>	<u>5,790</u>	<u>(43,603)</u>	<u>(26,213)</u>
Loss for the financial year	-	-	(3,854)	(3,854)
At 31 December 2015	<u><u>11,600</u></u>	<u><u>5,790</u></u>	<u><u>(47,457)</u></u>	<u><u>(30,067)</u></u>

The notes on pages 9 to 18 form part of these financial statements.

# Third Energy UK Gas Limited

## Accounting policies

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Third Energy UK Gas Limited is a company limited by shares and incorporated and domiciled in the United Kingdom.

### **Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

A presentation reclassification was made to correct previous GAAP. See note 20.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company's ultimate parent undertaking, Third Energy Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Third Energy Holdings Limited are available to the public and may be obtained from 1st Floor, 1 Grosvenor Place, London SW1X 7HJ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

### **Measurement convention**

The financial statements are prepared on the historical cost basis.

### **Significant judgements and estimates**

The directors are required to make significant judgments and estimates in the preparation of the financial statements. The items in the financial statements where these judgments and estimates have been made include:

The directors' judgement is that the onshore development of both its conventional and unconventional gas licences in the North East of England is likely to generate sufficient income to cover current and future costs of development and, therefore, it is appropriate to carry forward the costs incurred to date.

The directors' judgment is also that the onshore development will generate sufficient cash to enable the balances owed to fellow group companies to be repaid.

# Third Energy UK Gas Limited

## Accounting policies

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### **Going concern**

The financial statements have been prepared on the going concern basis notwithstanding net current liabilities of £50,019,000 (2014: £44,475,000) which assumes that the Company will continue in operational existence for the foreseeable future.

The company forms part of an operating model that includes other entities within the Group to which the Company belongs so the Directors review the going concern of the Company as part of a review of the Group as a whole. As such, the directors have reviewed the Group's forecasts for the period to 31st January 2018 which incorporate all firm commitments in accordance with the Group's business plans and which confirm that the Company can rely on the support of its parent company, Third Energy Holdings Limited. The directors believe that, with the continued support of its parent company, the Company can continue as a going concern, and has the necessary funding available to ensure that it continues to trade on the going concern basis, for the reasonably foreseeable future.

The Company has net current liabilities of £50,019,000 (2014: £44,269,000) but included within this is an amount owed to group undertakings of £44,475,000 which is owed to the ultimate parent company, Third Energy Holdings Limited (2014: £40,667,000). This amount is repayable on demand but the directors of Third Energy Holdings Limited have confirmed that it is not their intention to seek repayment of this amount within the twelve months following the balance sheet date. There is no interest charged on this amount.

Also included within net current liabilities are amounts owed to group undertakings of £6,396,000 which are owed to fellow subsidiary companies (2014: £5,147,000). These amounts are repayable on demand but the directors of those companies have confirmed that it is not their intention to seek repayment of these amounts within the twelve months following the balance sheet date. There is no interest charged on these amounts.

The directors have placed their usual reliance on the confirmation of the holding company and fellow subsidiary companies that they will not seek repayment of these amounts totalling £50,871,000 (2014: £45,814,000) in reaching their opinion that the Company can continue as a going concern.

As with any company placing reliance on another group company for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The financial statements do not include any adjustments that might apply if this assumption were to prove to be incorrect.

### **Basic financial instruments**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

# Third Energy UK Gas Limited

## Accounting policies

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### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met are not provided for. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### **Exploration and appraisal assets**

Exploration and appraisal costs are accounted for under IFRS 6 (see "Basis of preparation" on page 9).

Pre-exploration costs incurred prior to having secured the legal rights to explore an area and general seismic data and other costs not specifically directed to an identified exploration licence are expensed directly to the profit and loss account as they are incurred.

Costs of exploration and development are initially capitalised as exploration and evaluation assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as intangible exploration and evaluation assets.

Intangible exploration and evaluation assets are not amortised prior to the conclusion of appraisal activities but are carried forward until the existence of commercial reserves has been determined. If commercial reserves are determined to exist, the carrying value of the relevant exploration and evaluation asset is then reclassified as a development and production asset. If commercial reserves are determined not to exist, the capitalised costs that had previously been carried in intangible assets are charged to the profit and loss account as exploration expense, as soon as that determination has been made. The status of such prospects is reviewed regularly by the directors.

# Third Energy UK Gas Limited

## Accounting policies

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### **Development and production assets**

Development and production assets are accumulated on a field by field basis and represent the cost of developing the commercial reserves and bringing them to production, together with the exploration and evaluation assets incurred in finding commercial reserves as described above.

Development and production assets also includes the cost of items purchased to be used on gas assets but held in stock to be used in future. A provision is made to ensure that the carrying value of these items does not exceed the value in use.

The cost of producing assets is depreciated using the unit of production method. The unit of production method is a means of computing the portion to be charged for the current period out of the total costs yet to be charged to the profit and loss account. That portion is represented by the ratio of production in the year and the estimated commercial reserves relating to that asset, taking into account future development expenditure necessary to bring those reserves to production.

### **Commercial reserves**

Commercial reserves are defined as proved gas reserves supported by either actual production or a conclusive formation test which the directors intend to develop and produce.

Where unit of production calculations are required to be made in arriving at amounts stated within these financial statements, only commercial developed resources are used and not proved developed and undeveloped reserves. The directors consider such method to reflect a more appropriate approach to the unit of production calculations. In this context, developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

### **Impairment of development and production assets**

An impairment test is performed whenever a change in expectations indicates that the carrying value of a development or production asset, or group of assets, may be greater than the returns expected to be generated from that asset or group of assets.

The carrying value is compared against the expected recoverable amount of the asset, generally by reference to the present value of the future net cash flows expected to be generated from the commercial reserves associated with that asset. The recoverable amount is assumed to be the higher of estimated net realisable value or value in use. Value in use is calculated for each fixed asset and represents the present value of future net revenues to be derived from estimated reserves. If the net cash flows of a number of assets are interdependent, then the net cash flows of all interdependent assets are included in the impairment calculation.

Any impairment identified is charged to the profit and loss account as additional depreciation. If the conditions leading to the impairment change and the impairment test suggests that impairment previously charged should be reversed then a credit is taken to the profit and loss account, net of any depreciation that would have been charged since the impairment charge was made.

# Third Energy UK Gas Limited

## Accounting policies

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### Other fixed assets

Plant and machinery and motor vehicles and equipment are stated at historical cost less accumulated depreciation and less any provision for impairment.

The decommissioning asset is stated at an amount equal to the initial provision for decommissioning less accumulated depreciation.

Depreciation is provided so as to write off the costs of the assets to residual values over the assets' useful estimated lives, on the following bases -

Motor vehicles and equipment	3-4 years	Straight line
Plant and Machinery	3 to 15 years	Straight line
Decommissioning asset	3 to 10 years	Straight line

### Provision for decommissioning

A provision for decommissioning costs is recognised in full at the commencement of operations. The amount recognised is the present value of the estimated future expenditure that will be required to decommission the company's assets and bring the land back to the state that existed prior to the assets being built. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to interest expense.

A corresponding tangible fixed asset is created at an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production facilities.

### Leasing and hire purchase commitments

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

### Turnover

Turnover represents amounts receivable from the sale of gas to its fellow subsidiary plus amounts receivable from partners in respect of joint developments.

Turnover is recognised at the point and time of delivery, net of trade discounts and VAT.

# Third Energy UK Gas Limited

Notes to the financial statements  
for the year ended 31 December 2015

<b>1 Turnover</b>	2015	2014
Turnover represents amounts receivable from the following:	£'000	£'000
Sales of gas to fellow subsidiary	399	667
Recharges to development partners	29	230
	<u>428</u>	<u>897</u>
<b>2 Operating (loss)</b>	2015	2014
	£'000	£'000
Operating loss is stated after charging:		
Depreciation of tangible assets	34	322
Exploration impairment	-	1,193
Auditor's remuneration in respect of the company	17	17
Operating leases - land and buildings	<u>289</u>	<u>298</u>
<b>3 Staff costs</b>	2015	2014
	£'000	£'000
Wages and salaries	539	510
Social security costs	54	52
Pension costs	<u>31</u>	<u>31</u>
	<u>624</u>	<u>593</u>

The directors' remuneration is borne by Third Energy Holdings Limited. Given the size of the Group and the interconnected nature of each subsidiary company's activities, the directors do not believe it is practical to apportion the remuneration between their services to this company and their services as directors of the parent company and fellow subsidiary companies. The directors believe that the expense of the directors' remuneration related to this Company would be trivial.

The average monthly number of employees during the year was as follows:

	2015	2014
	No	No
Management and administration	4	4
Technical and operations	14	14
	<u>18</u>	<u>18</u>
<b>4 Interest receivable</b>	2015	2014
	£'000	£'000
Bank interest receivable	<u>1</u>	<u>2</u>
<b>5 Interest payable and similar charges</b>	2015	2014
	£'000	£'000
Unwinding of discount on decommissioning provision	174	166
Other interest payable	<u>5</u>	<u>7</u>
	<u>179</u>	<u>173</u>



# Third Energy UK Gas Limited

Notes to the financial statements  
for the year ended 31 December 2015

<b>6 Taxation</b>	2015	2014
<i>Analysis of charge in the period</i>	£'000	£'000
Current tax - UK corporation tax on profits for the period	-	-
Deferred tax - origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	-	-
	<u>-</u>	<u>-</u>
<i>Factors affecting tax charge in the period</i>		
(Loss) on ordinary activities before taxation	<u>(3,854)</u>	<u>(4,416)</u>
(Loss) on ordinary activities before taxation multiplied by the combined rate of corporation tax and supplementary charge in the UK of 50% (2014: 62%)	(1,927)	(2,738)
Expenses not deductible for tax purposes	108	2
Capital allowances in excess of depreciation	-	1,016
Financing costs not deductible for SCT	1	3
Unrecognised deferred tax on losses	1,818	1,717
Total tax charge	<u>-</u>	<u>-</u>

The effective rate of tax applicable for UK ring fence oil and gas activities in 2015 was 50% (2014: 62%).

The Company has a potential deferred tax asset at 31 December 2015 of £39.5m (2014: £45.7m) consisting of accumulated tax losses of £59.6m, accelerated capital allowances of £18.5m and other timing differences of £3.1m (2014: accumulated tax losses of £55.9m, accelerated capital allowances of £18.3m and other timing differences of £2.9m). This asset has not been recognised under FRS 102 as it is not certain that the Company will have sufficient taxable profits for the losses to be utilised in the foreseeable future.

The ring fence rate of corporation tax applicable to upstream oil and gas profits remains at 30%.

The Budget on 16th March 2016 announced that the Supplementary Charge to Corporation Tax on ring fence profits will be reduced from 20% to 10% with effect from 1st January 2016. The impact of this change will be a reduction in the company's future tax liability however the impact has not been quantified as the rate reduction was announced after the end of the accounting period and the rate has not yet been enacted.

## 7 Intangible fixed assets

	Exploration and development	Total
<b>Cost</b>	£'000	£'000
At 1 January 2015	33,544	33,544
Additions	1,796	1,796
At 31 December 2015	<u>35,340</u>	<u>35,340</u>
<b>Depreciation</b>		
At 31 December 2015 and 31 December 2014	<u>12,937</u>	<u>12,937</u>
<b>Net book value</b>		
At 31 December 2015	<u>22,403</u>	<u>22,403</u>
At 31 December 2014	<u>20,607</u>	<u>20,607</u>

# Third Energy UK Gas Limited

Notes to the financial statements  
for the year ended 31 December 2015

## 8 Tangible fixed assets

	Gas develop- ment and production £'000	Decommiss- ioning asset £'000	Plant and machinery £'000	Motor vehicles and equipment £'000	Total £'000
<b>Cost</b>					
At 1 January 2015	9,948	2,236	1,188	105	13,477
Additions	269	-	38	-	307
At 31 December 2015	<u>10,217</u>	<u>2,236</u>	<u>1,226</u>	<u>105</u>	<u>13,784</u>
<b>Depreciation</b>					
At 1 January 2015	9,592	2,010	1,174	78	12,854
Charge for the year	12	-	6	16	34
At 31 December 2015	<u>9,604</u>	<u>2,010</u>	<u>1,180</u>	<u>94</u>	<u>12,888</u>
<b>Net book value</b>					
At 31 December 2015	<u>613</u>	<u>226</u>	<u>46</u>	<u>11</u>	<u>896</u>
At 31 December 2014	<u>356</u>	<u>226</u>	<u>14</u>	<u>27</u>	<u>623</u>

## 9 Debtors

	2015 £	2014 £
Trade debtors	28	36
Amounts owed by group companies	1,072	1,079
Prepayments and other income	492	589
Other debtors	39	26
	<u>1,631</u>	<u>1,730</u>

## 10 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	499	172
Amounts owed to group undertakings	50,871	45,814
Taxation and social security costs	16	13
Other creditors	4	4
Accruals and deferred income	363	51
	<u>51,753</u>	<u>46,054</u>

Amounts owed to group undertakings include £44,475,000 which is owed to the ultimate parent company, Third Energy Holdings Limited (2014: £40,667,000). This amount is repayable on demand but the directors of Third Energy Holdings Limited have confirmed that it is not their intention to seek repayment of this amount within the twelve months following the balance sheet date. There is no interest charged on this amount.

Amounts owed to group undertakings also include £6,396,000 which is owed to fellow subsidiary companies (2014: £5,147,000). These amounts are repayable on demand but the directors of those companies have confirmed that it is not their intention to seek repayment of these amounts within the twelve months following the balance sheet date. There is no interest charged on these amounts.

# Third Energy UK Gas Limited

Notes to the financial statements  
for the year ended 31 December 2015

11 Provisions for liabilities	2015	2014
	£'000	£'000
Decommissioning costs		
At 1 January	3,173	3,007
Unwinding of discount to profit and loss account	174	166
At 31 December	<u>3,347</u>	<u>3,173</u>
<b>12 Called up share capital</b>	<b>2015</b>	<b>2014</b>
Ordinary shares of £1 each	No	No
Authorised	<u>11,600</u>	<u>11,600</u>
	£'000	£'000
Allotted, issued and fully paid	<u>11,600</u>	<u>11,600</u>
<b>13 Statement of movement on reserves</b>		Profit and loss account
		£'000
Deficit at 1st January 2015		(43,603)
Loss for the financial year		<u>(3,854)</u>
Deficit at 31 December 2015		<u>(47,457)</u>
<b>14 Reconciliation of movement in shareholders' funds</b>	<b>2015</b>	<b>2014</b>
	£'000	£'000
Opening deficit on shareholders' funds	(26,213)	(21,797)
Loss for the financial year	<u>(3,854)</u>	<u>(4,416)</u>
Closing deficit on shareholders' funds	<u>(30,067)</u>	<u>(26,213)</u>
<b>15 Operating lease commitments</b>		
Total future minimum lease payments under non-cancellable operating leases relating to land and buildings are as follows:		
	2015	2014
	£'000	£'000
Within one year	177	189
Within two to five years	72	80
After five years	81	99
	<u>330</u>	<u>368</u>

During the year £289,000 was recognised as an expense in the profit and loss account in respect of operating leases (2014: £298,000)

## 16 Guarantees and other financial commitments

The company is a member of a VAT group and the net potential liability under the group registration as of 31 December 2015 was £nil (2014: £nil).

## 17 Contingent liabilities

The Group has entered into a contract with Halliburton Manufacturing and Services Limited ("Halliburton") for the provision of services to support its onshore development activities. As a result of this agreement, Halliburton may receive additional payments at a future date if these activities are successful. Due to the nature of the agreement, management are unable to quantify these additional payments at the balance sheet date.

# Third Energy UK Gas Limited

## Notes to the financial statements

for the year ended 31 December 2015

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### 18 Related party transactions

The Company has taken advantage of the exemption under FRS 102.3.1A not to disclose transactions between itself and other wholly owned Group companies.

### 19 Ultimate parent company

The immediate parent is Third Energy Onshore Limited. The smallest and largest group into which the Company is consolidated is Third Energy Holdings Limited. Copies of the accounts of Third Energy Holdings Limited can be obtained from 1st Floor, 1 Grosvenor Place, London SW1X 7HJ.

In the opinion of the directors, the ultimate parent company of Third Energy Holdings Limited is Barclays PLC. There is no ultimate controlling party.

### 20 Explanation of transition to FRS 102

As stated in the basis of preparation, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 102 balance sheet at 1 January 2014 (the Company's date of transition).

The Company has made no measurement and recognition adjustments upon transition from its old basis of accounting (UK GAAP) to FRS 102.

Whilst there were no measurement adjustments on transition to FRS 102, there was one balance sheet reclassification in respect of an accounting error under previous GAAP. The company has determined that certain amounts payable to Third Energy Holdings Limited which were previously shown as payable in greater than one year, should in fact be presented as payable in less than one year. The balance sheet and supporting notes for creditors have been restated accordingly. As at 31 December 2014, amounts owed to Third Energy Holdings Limited of £40,667,000 were shown as amounts falling due after more than one year rather than amounts falling due within one year. This adjustment increased the net current liabilities at 31 December 2014 from £3,603,000 to £44,269,000, and has no impact on the result or equity for any year.