Third Energy UK Gas Limited

Annual Report and
Financial Statements
for the year ended 31 December 2016

Company Registration No.01421481

Third Energy UK Gas Limited

Contents of the Financial Statements

for the year ended 31 December 2016

Third Energy UK Gas Limited

Company information

for the year ended 31 December 2016

Directors	R Valand JAG Dewar (resigned 22nd January 2018) A Linn (appointed 22nd January 2018)
Joint Secretary	Pinsent Masons Secretarial Limited P Savage (appointed 22nd January 2018)
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

The directors submit their report and the financial statements of Third Energy UK Gas Limited for the year ended 31 December 2016.

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:

	2016	2015
	£'000	£'000
Turnover	757	428
(Loss) for the financial year	(3,405)	(3,854)

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 2019 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 £54,652,000 (2015: £50,019,000) but included within this is an amount owed to group undertakings of £48,165,000 which is owed to the ultimate parent company, Third Energy Holdings Limited (2015: £44,475,000). 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 signing of these accounts. There is no interest charged on this amount.

Also included within net current liabilities are amounts owed to group undertakings of £7,544,000 which are owed to fellow subsidiary companies (2015: £6,396,000). 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 signing of these accounts. 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 £55,709,000 (2015: £50,871,000) in reaching their opinion that the Company can continue as a going concern.

Company Registration No. 01421481

Directors

The directors who have held office since 1st January 2016 are set out below:

Mr R Valand	
Mr A Linn	(appointed 22nd January 2018)
Mr JAG Dewar	(resigned 22nd January 2018)
Mr DJ Robottom	(resigned 28th March 2017)

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 held office at the date of approval of this directors' report confirm that, as far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

R Valand

Rasik Valand
Director

25th January 2018

Knapton Generating Station
East Knapton
Malton
North Yorkshire
YO17 8JF

Third Energy UK Gas Limited

Statement of Directors' responsibilities in respect of the Directors' Report and the 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

We have audited the financial statements of Third Energy UK Gas Limited (the Company) for the year ended 31 December 2016 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 explained more fully 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

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 2016 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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

M Smith

Mark Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
29/01/2018

Third Energy UK Gas Limited

Profit and loss account and Other Comprehensive Income
for the year ended 31 December 2016 Company Registration No. 01421481

	Notes	2016 £'000	2015 £'000
Turnover	*1*	757	428
Cost of sales		(1,768)	(1,852)
Gross (loss)		(1,011)	(1,424)
Administrative expenses		(2,205)	(2,252)
Operating (loss)	*2 & 3*	(3,216)	(3,676)
Other interest receivable and similar income	*4*	1	1
Interest payable and similar expenses	*5*	(190)	(179)
(Loss) before taxation		(3,405)	(3,854)
Tax on profit/(loss)	*6*	-	-
(Loss) for the financial year	*13*	(3,405)	(3,854)
Total comprehensive (loss) for the period		(3,405)	(3,854)

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 2016 — Company Registration No. 01421481

	Notes	2016	2015
		£'000	£'000
Fixed Assets			
Intangible assets	*7*	24,094	22,403
Tangible assets	*8*	619	896
		24,712	23,299
Current Assets			
Debtors	*9*	1,452	1,631
Cash at bank and in hand		112	103
		1,564	1,734
Creditors: Amounts falling due within one year	*10*	(56,216)	(51,753)
Net Current Liabilities		(54,652)	(50,019)
Total Assets less Current Liabilities		(29,940)	(26,720)
Provisions for liabilities	*11*	(3,531)	(3,347)
Net Liabilities		(33,472)	(30,067)
Capital and reserves			
Called up share capital	*12*	11,600	11,600
Capital contribution		5,790	5,790
Profit and loss account - (deficit)	*13*	(50,862)	(47,457)
Deficit on shareholders' funds	*14*	(33,472)	(30,067)

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 25th January 2018 and are signed on its behalf by:

R Valand

Rasik Valand
Director

Third Energy UK Gas Limited

Statement of Changes in Equity

31 December 2016

	Called-up share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	11,600	5,790	(43,603)	(26,213)
Loss for the financial year	-	-	(3,854)	(3,854)
At 31 December 2015	11,600	5,790	(47,457)	(30,067)
Loss for the financial year	-	-	(3,405)	(3,405)
At 31 December 2016	11,600	5,790	(50,862)	(33,472)

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

Third Energy UK Gas Limited is a private company incorporated, domiciled and registered in England. The registered number is 01421481 and the registered address is Knapton Generating Station, East Knapton, Malton, North Yorkshire YO17 8JF.

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 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.

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 4th Floor, 87-91 Newman Street, London W1T 3EY. 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.

Going concern

The financial statements have been prepared on the going concern basis notwithstanding net current liabilities of £54,652,000 (2015: £50,019,000) 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 2019 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.

Going concern (continued)

The Company has net current liabilities of £54,652,000 (2015: £50,019,000) but included within this is an amount owed to group undertakings of £48,165,000 which is owed to the ultimate parent company, Third Energy Holdings Limited (2015: £44,475,000). 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 signing of these accounts. There is no interest charged on this amount.

Also included within net current liabilities are amounts owed to group undertakings of £7,544,000 which are owed to fellow subsidiary companies (2015: £6,396,000). 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 signing of these accounts. 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 £55,709,000 (2015: £50,871,000) 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.

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.

Taxation (continued)
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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Exploration and evaluation assets
Exploration and evaluation 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, activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral asset 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.

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 facts and circumstances suggest 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 recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of the asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determeined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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.

	2016	2015
1 **Turnover**		
Turnover represents amounts receivable from the following:	£'000	£'000
Sales of gas to fellow subsidiary	75	399
Recharges to development partners	682	29
	757	428

	2016	2015
2 **Operating (loss)**	£'000	£'000
Operating loss is stated after charging:		
Depreciation of tangible assets	11	34
Exploration impairment	-	-
Auditor's remuneration in respect of the company	18	17
Operating leases - land and buildings	312	289

	2016	2015
3 **Staff costs**	£'000	£'000
Wages and salaries	462	539
Social security costs	44	54
Pension costs	34	31
	540	624

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:	2016	2015
	No	No
Management and administration	2	4
Technical and operations	14	14
	16	18

	2016	2015
4 **Interest receivable**	£'000	£'000
Bank interest receivable	1	1

	2016	2015
5 **Interest payable and similar charges**	£'000	£'000
Unwinding of discount on decommissioning provision	184	174
Other interest payable	6	5
	190	179

6 Taxation

	2016	2015
Analysis of charge in the period	£'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	-	-
Factors affecting tax charge in the period		
(Loss) before taxation	(3,405)	(3,854)
(Loss) before taxation multiplied by the combined rate of corporation tax and supplementary charge in the UK of 40% (2015: 50%)	(1,362)	(1,927)
Expenses not deductible for tax purposes	-	108
Financing costs not deductible for SCT	1	1
Unrecognised deferred tax on losses	1,361	1,818
Total tax charge	-	-

The Budget on 16 March 2016 announced that the Supplementary Charge to Corporation Tax on ring fence profits will be reduced from 20% to 10% with effect from 1 January 2016. The effective rate of tax applicable for UK ring fence oil and gas activities in 2016 was, therefore, 40% (2015: 50%).

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

The Company has a potential deferred tax asset at 31 December 2016 of £33.3m (2015: £39.5m) consisting of accumulated tax losses of £83.3m, accelerated capital allowances of £2.0m and other timing differences of £3.3m (2015: accumulated tax losses of £59.6m, accelerated capital allowances of £18.5m and other timing differences of £3.1m). 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.

Reductions in the UK corporation tax rate were from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate eas substantively enacted on 6 September 2016 to further reduce the tax rate to 17% (to be effective from 1 April 2020). This will reduce the company's future current tax charge accordingly. The deferred tax asset at the balance sheet date has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

7 Intangible fixed assets

	Exploration and evaluation	Total
Cost	£'000	£'000
At 1 January 2016	35,340	35,340
Additions	1,422	1,422
Reclassification of assets	269	269
At 31 December 2016	37,031	37,031
Depreciation		
At 31 December 2016 and 31 December 2015	12,937	12,937
Net book value		
At 31 December 2016	24,094	24,094
At 31 December 2015	22,403	22,403

7 Intangible fixed assets (continued)

In 2015, the cost of a workover on an onshore well was wrongly treated as a tangible asset. This asset has been reclassified in 2016.

8 Tangible fixed assets

	Gas development and production £'000	Decommissioning asset £'000	Plant and machinery £'000	Motor vehicles and equipment £'000	Total £'000
Cost					
At 1 January 2016	10,217	2,236	1,226	105	13,784
Additions	-	-	-	3	3
Reclassification of assets	(269)	-	-	-	(269)
Disposals	-	-	-	(2)	(2)
At 31 December 2016	9,948	2,236	1,226	106	13,516
Depreciation					
At 1 January 2016	9,604	2,010	1,180	94	12,888
Charge for the year	-	-	6	5	11
Removed on disposal	-	-	-	(2)	(2)
At 31 December 2016	9,604	2,010	1,186	97	12,897
Net book value					
At 31 December 2016	344	226	40	9	619
At 31 December 2015	613	226	46	11	896

As stated in note 7 above, the cost of a workover on an onshore well has been reclassified as an intangible asset.

9 Debtors

	2016 £	2015 £
Trade debtors	25	28
Amounts owed by group companies	1,070	1,072
Prepayments and other income	314	492
Other debtors	43	39
	1,452	1,631

The amounts owed by group companies are repayable on demand and no interest is charged on outstanding balances.

10 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	176	499
Amounts owed to group undertakings	55,709	50,871
Taxation and social security costs	14	16
Other creditors	4	4
Accruals and deferred income	313	363
	56,216	51,753

Amounts owed to group undertakings include £48,165,000 which is owed to the ultimate parent company, Third Energy Holdings Limited (2015: £44,475,000). 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 signing of these accounts. There is no interest charged on this amount.

Amounts owed to group undertakings also include £7,544,000 which is owed to fellow subsidiary companies (2015: £6,396,000). 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 signing of these accounts. There is no interest charged on these amounts.

11 Provisions for liabilities

	2016	2015
	£'000	£'000
Decommissioning costs		
At 1 January	3,347	3,173
Unwinding of discount to profit and loss account	184	174
At 31 December	3,531	3,347

12 Called up share capital

	2016	2015
Ordinary shares of £1 each	No	No
Authorised	11,600	11,600
	£'000	£'000
Allotted, issued and fully paid	11,600	11,600

13 Statement of movement on reserves

	Profit and loss account
	£'000
Deficit at 1st January 2016	(47,457)
Loss for the financial year	(3,405)
Deficit at 31 December 2016	(50,862)

14 Reconciliation of movement in shareholders' funds

	2016	2015
	£'000	£'000
Opening deficit on shareholders' funds	(30,067)	(26,213)
Loss for the financial year	(3,405)	(3,854)
Closing deficit on shareholders' funds	(33,472)	(30,067)

15 **Operating lease commitments**

Total future minimum lease payments under non-cancellable operating leases relating to land and buildings are as follows:

	2016	2015
	£'000	£'000
Within one year	165	177
Within two to five years	72	72
After five years	63	81
	300	330

During the year £312,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £289,000)

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 2016 was £nil (2015: £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.

18 **Related party transactions**

The Company has taken advantage of the exemption under FRS 102.33.1A 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 4th Floor, 87-91 Newman Street, London W1T 3EY.

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