

Third Energy Trading Limited

Information for filing with the registrar

for the year ended 31 December 2021

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COMPANIES HOUSE

Company Registration No. 05721316

Third Energy Trading Limited

Statement of Financial Position

Company Registration No. 05721316

31 December 2021

	Notes	2021 £'000	2020 £'000
Fixed Assets			
Investments	4	1	1
Intangible assets	5	113	97
Tangible assets	6	1,283	1,755
		<u>1,397</u>	<u>1,853</u>
Current Assets			
Debtors	7	1,357	1,912
Cash at bank and in hand		37	8
		<u>1,394</u>	<u>1,920</u>
Creditors: Amounts falling due within one year	8	(1,420)	(1,430)
Net Current (Liabilities) / Assets		<u>(26)</u>	<u>490</u>
Total Assets less Current Liabilities		1,371	2,343
Provisions for liabilities	9	(3,547)	(4,743)
Net Liabilities		<u>(2,176)</u>	<u>(2,400)</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	(2,176)	(2,400)
Shareholders' deficit		<u>(2,176)</u>	<u>(2,400)</u>

The notes on pages 2 to 7 form part of these financial statements.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on:

Date: Dec 21, 2022

Shaun Zablocki

Shaun Zablocki
Director

Third Energy Trading Limited

Notes to the financial statements

for the year ended 31 December 2021

1 General information

Third Energy Trading Limited is a private company incorporated, domiciled and registered in England and Wales limited by shares. The registered number is 05721316 and the registered address is Knapton Generating Station, East Knapton, Malton, North Yorkshire, YO17 8JF.

The principal activity of the Company during the year has been the development of new facilities for the generation and storage of electricity at Knapton, North Yorkshire following the removal of its gas powered generator.

2 Accounting policies

2.1 Basis of preparation

The financial statements have been drawn up to 1 January 2022 and have been prepared in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") and the Companies Act 2006. 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.

Measurement convention

The financial statements are prepared on the historical cost basis.

2.2 Significant judgements and estimates

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

The directors have been required to exercise their judgement with respect to the cost of decommissioning the Company's power plant and pipelines. The directors' judgement is that, given current plans regarding the planning and timing of the decommissioning work the value adopted is the appropriate amount.

The directors consider that the average inflation rate of 2.5% and discount factor of 1.8% used in the calculation of decommissioning asset and liability values remain appropriate, despite recent increases in the rate of inflation, given the long period over which the decommissioning assets and liabilities are considered.

The directors' judgement is also that the Company will generate sufficient cash to enable the balances owed by and to fellow group companies to be repaid.

2.3 Going concern

The financial statements have been prepared on the going concern basis.

At 31 December 2021, the Company had net liabilities of £2,175,000 (2020: £2,400,000). Included within this amount is an amount owed by group undertakings of £1,331,000 (2020: £1,883,000) and an amount owed to group undertakings of £1,336,000 (2020: £1,395,000). Subsequent to the balance sheet date this debt was reduced and the remainder will be paid off in the near future. As at the date of signing the balance sheet the Company had around £3.6m in its bank account following the sale of its generating station assets.

The directors have a reasonable expectation that the company has adequate resources through this cash balance to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of approval of these financial statements. Based on the forecasts prepared the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 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. The Company has no bank overdrafts.

Third Energy Trading Limited

Notes to the financial statements

for the year ended 31 December 2021

2 Accounting policies (continued)

2.5 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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.

2.6 Intangible fixed assets

Exploration and evaluation costs are accounted for under IFRS 6 as recommended under IFRS 102.

Costs of business development are initially capitalised as development assets. The costs of technical services and studies, and activities in relation to evaluating the technical feasibility and commercial viability are capitalised as intangible development assets.

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

2.7 Tangible fixed assets

Power plant and gas collection equipment are stated at historical cost less accumulated depreciation and less any provision for impairment. Land is stated at historical cost and is not depreciated.

Included in the cost of the power plant are spare parts that have been purchased to repair the plant but not yet utilised at the year end. A provision of 85% against the original cost is made to ensure that the carrying value of these items does not exceed their value in use.

The decommissioning assets are stated at an amount equal to the net 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:

Gas collecting equipment	7 to 10 years	Straight line
Power plant	3 to 15 years	Straight line
Decommissioning asset	20 years	Straight line
Renewable Energy assets	25 years (upon planning permission)	Straight line

2.8 Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. 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").

Third Energy Trading Limited

Notes to the financial statements

for the year ended 31 December 2021

2 Accounting policies (continued)

2.8 Impairment (continued)

The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units (or "CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or, if it has been integrated, the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an 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 or group of units on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

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 determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 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.

2.13 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.

2.14 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.

2.12 Turnover

Turnover represents amounts receivable for the Company's electricity generation. Turnover is stated net of trade discounts and VAT. Amounts receivable for electricity generation are recognised in the month that the electricity is delivered.

Third Energy Trading Limited

Notes to the financial statements for the year ended 31 December 2021

3 Staff costs

There were no employees during the year other than the directors (2020: none).

4 Investments

Investments in group undertakings

	2021	2020
	£'000	£'000
Cost of investment	1	1

As at 31st December 2021 the Company had the following subsidiary and joint venture undertakings:

Name		Country of incorporation	Principal activity
Knapton Energy One Limited (Incorporated on 22 July 2020)	Directly owned 100% Subsidiary	England & Wales	Electricity generation
West Heslerton Renewables Limited (Incorporated on 2 September 2021)	Directly owned 50% joint Venture	England & Wales	Solar Electricity generation

The registered office of these companies is Knapton Generating Station, East Knapton, Malton, North Yorkshire, YO17 8JF.

5 Intangible fixed assets

Development

	assets	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 January 2021	97	4,902	4,999
Additions	87	-	87
Disposals	(71)	-	(71)
At 31 December 2021	113	4,902	5,015
Amortisation			
At 1 January 2021	-	4,902	4,902
At 31 December 2021	-	4,902	4,902
Net book value			
At 31 December 2021	113	-	113
At 31 December 2020	97	-	97

6 Tangible fixed assets

	Decommissioning assets	Power Plant	Gas Collection Equipment	Land	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2021	2,318	7,936	4,902	193	16,349
Disposals	(830)	(1,858)	-	-	(2,738)
At 31 December 2021	2,438	6,078	4,902	193	13,611
Depreciation					
At 1 January 2021	1,805	7,387	4,902	-	14,594
Charge for the year	65	-	-	-	65
Impairment removed on disposals	-	-	-	-	-
Removed on disposals	(479)	(1,852)	-	-	(2,331)
At 31 December 2021	1,391	6,035	4,902	-	12,328
Net book value					
At 31 December 2021	1,047	43	-	193	1,283
At 31 December 2020	1,513	49	-	193	1,755

Impairment losses have been recognised in the Cost of Sales line in the profit and loss.

Third Energy Trading Limited

Notes to the financial statements

for the year ended 31 December 2021 (made up to 1 January 2022)

7 Debtors	2021	2020
	£'000	£'000
Amounts owed by group undertaking	1,331	1,883
Prepayments and accrued income	26	29
	<u>1,357</u>	<u>1,912</u>

Amounts owed to group undertakings are repayable on demand. There is no interest charged on these amounts.

8 Creditors: amounts falling due within one year	2021	2020
	£'000	£'000
Trade creditors	22	6
Amounts owed to group undertakings	1,336	1,395
Accruals and deferred income	62	29
	<u>1,420</u>	<u>1,430</u>

Amounts owed to group undertakings are repayable on demand. There is no interest charged on these amounts.

9 Provisions for liabilities	2021	2020
Decommissioning costs		
At 1 January 2021	4,743	4,660
Discount measurement adjustments	(168)	-
Unused amounts reversed	(1,040)	-
Unwinding of discount to profit and loss account	63	83
Unwinding discount adjustment on amounts reversed	(51)	-
At 31 December 2021	<u>3,547</u>	<u>4,743</u>

Provision has been made for the discounted cost of restoring the plant and pipelines on the Company's wellsites and at the main generating station to a condition acceptable to the relevant authorities, which is not anticipated to happen until 17 years after the year end. The Company commissioned Dundas Consultants to calculate the current cost of decommissioning the wellsites, in the unlikely event that decommissioning was required immediately, and they reported in October 2019. These calculations have been adopted in these financial statements. Actual decommissioning costs will ultimately depend on the future cost of decommissioning which in turn will be affected by market conditions and regulations at the time. Furthermore, the timing of decommissioning will depend on the date the fields cease to produce at commercial rates which is influenced by factors such as future gas prices, which are inherently uncertain.

During the year the remaining power plant equipment at the main generating station was decommissioned and the provision for decommissioning reassessed to remove the liability for this equipment. A revision has been made to the decommissioning liability for the site at Knapton based on wellsite decommissioning costs calculated by Dundas in 2019 scaled up in relation to relative sizes, as the best estimate required to settle this obligation.

10 Called up share capital	2021	2020
Ordinary shares of £1 each	No	No
Authorised	<u>1,000</u>	<u>1,000</u>
	£	£
Allotted, issued and fully paid	<u>1</u>	<u>1</u>

11 Reserves

Profit & loss account

This reserve represents cumulative profits and losses less dividends paid.

Third Energy Trading Limited

Notes to the financial statements

for the year ended 31 December 2021 (made up to 1 January 2022)

12 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.

13 Ultimate parent company

The immediate parent is Wolfland Renewables Limited a company domiciled and registered in England. The ultimate parent company is Wolfland Group Limited a company domiciled and registered in the Isle of Man.

14 Post balance sheet events

Subsequent to the balance sheet date the generating station assets owned by the company at the Knapton, North Yorkshire held at £268,000 carrying value on 31 December 2021 were sold for £4,000,000 on 19 December 2022.

The commencement of ongoing hostilities in Ukraine by Russia, and the subsequent rise in energy prices and the cost of living, have had an effect on the operational costs of the business, however these have not affected the business unduly as the directors continue to control the cost base of the business closely.

15 Auditor's information

The Auditor's report on the financial statements for the year ended 31 December 2021 was unqualified.

The audit report was signed by Shaun Mullins (Senior Statutory Auditor) on behalf of Mazars LLP on: Dec 21, 2022