Cuadrilla Resources Limited

Annual report and financial statements

Registered number 6472493

For the year ended 31 December 2017

Contents

Strategic report

During the year, the Company's subsidiaries have continued their exploration programme at a number of sites in the UK.

Operations at our shale gas exploration site, Preston New Road (PNR) in Lancashire, have continued apace. As planned, following construction of the site, we moved into the well drilling phase in early June 2017. A vertical pilot well was initially drilled, to a depth of over 2.7 km, through both the Upper and Lower Bowland shale rock. We recovered some 375 feet of core samples taken across three separate intervals in the shale. In addition a very comprehensive suite of wireline logs was completed, recording data across the entire Bowland shale section. This represents the most comprehensive data set recovered to date from any shale well drilled in the UK and the quality of the data is excellent. Our ongoing analysis indicates excellent rock quality for hydraulic fracturing and a high natural gas content in multiple zones within the very thick shale rock interval.

Using this latest data, along with that recovered and analysed from Cuadrilla's three previous Lancashire shale exploration wells, we were exceptionally informed on where best to drill the UK's first ever horizontal well into the shale rock's gas rich zones. This first horizontal well was completed in April of this year and an application for hydraulic fracturing consent has subsequently been submitted to the Secretary of State. We expect to finish our planned second horizontal well before mid-year and again seek consent to hydraulically fracture. Both wells will then be hydraulically fractured and then towards the end of this year we will start an initial flow test of the gas. Our aim is to have gas from these two wells flowing direct, via the local gas network, into Lancashire homes and businesses in 2019.

Shale Gas remains a national imperative with the UK Government recently underlining this in a new Written Ministerial Statement which described shale gas as a safe and secure energy source, which would also help meet the country's Climate Change obligations. In particular we welcomed the measures the Government introduced on making the planning process "faster and fairer" and providing additional resources to help local authorities.

Communication and engagement with the local community remains a priority for us and we run a monthly Community Liaison Group with representatives from the local area near PNR to ensure they are kept updated on our progress. We also conduct regular site tours for local interested parties and we launched *PNR Live* in 2017.

We continue to be dedicated to maintaining high standards of safety and environmental responsibility in our operations and we have implemented a comprehensive site environmental monitoring programme along with stringent health and safety rules and standards. We have also had multiple audits from the Environment Agency, Health & Safety Executive and local Council.

One of our proudest achievements is the success of our ongoing focus on Putting Lancashire First. Even with just two exploration wells underway we are already starting to see positive economic impacts for the people and businesses in Lancashire. The County has benefited to date from almost £9m of investment and over 60 jobs created.

Regarding our other site in Lancashire, at Roseacre Wood, a new planning inquiry focusing solely on transport issues has recently completed. We now await the Planning Inspector's Report from that inquiry and ultimately a final decision from the Secretary of State for the Department of Communities and Local Government on our planning appeal. This decision will be further to his issuing a "minded to grant" notice in October 2016 subject to the findings of this inquiry on transport.

Outside of Lancashire we announced earlier this year that Cuadrilla Balcombe Ltd and Lucas Bolney Ltd have agreed a new joint venture partnership with Angus Energy plc, a UK oil and gas exploration, production and development company. Angus Energy will join the existing Cuadrilla / Lucas partnership through the acquisition of a 25.0% interest in UK onshore licence PEDL244 which includes the entire Balcombe Field discovery in West Sussex.

Strategic report *(continued)*

In Yorkshire, where our total exploration acreage totals approximately 1274km², we continue work on desktop studies so we can understand more about the geology. Last year we also formed a new joint venture with INEOS Upstream Ltd who took over the 30% share, previously held by ENGIE E&P Ltd, on four licences in the Cleveland Basin with Cuadrilla retaining a 70% share. We remain the sole licensee on all remaining licences we hold in Yorkshire.

The result for the year is a profit of $18,000 *(2016: loss $4,406,000)*.

The Directors do not recommend the payment of a dividend.

Principal risks and uncertainties

From the perspective of the Company, principal risks and uncertainties are integrated with the principal risks of the Cuadrilla group and are not managed separately. Accordingly, the principal risks and uncertainties of Cuadrilla Resources Holdings Limited, which include those of the Company, are discussed in the directors' report of the group's financial statements which does not form part of this report.

Key Performance Indicators ("KPIs")

The directors of Cuadrilla Resources Holdings Limited manage the group's operations on a combined basis. For this reason, the company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company.

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate.

The Directors have reviewed the forecast cash requirements of the group for the 12 months following the date of signing these accounts and, after making appropriate enquiries, they have satisfied themselves that the group will be able to meet its external liabilities as they fall due for payment.

By order of the board

Francis Egan
Director
23 May 2018

Directors' report

The directors of Cuadrilla Resources Limited (the "Company") present their strategic report, directors' report and financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is the provision of management services to its subsidiary companies who are involved in the exploration of onshore oil and gas.

Directors

The directors who held office in the period to the date of this report were as follows:

Francis Egan	
Andrew Quarles van Ufford	(resigned 5 May 2017)
Mark Lappin	(appointed 8 May 2017)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so 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.

By order of the board

Francis Egan
Director

Cuadrilla House
Unit 6 Sceptre Court
Sceptre Way
Bamber Bridge
Preston
Lancashire
PR5 6AW

23 May 2018

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Cuadrilla Resources Limited

Opinion

We have audited the financial statements of Cuadrilla Resources Limited ("the company") for the year ended 31 December 2017 which comprise the income statement, balance sheet, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Cuadrilla Resources Limited
(continued)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

James Tracey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
25 May 2018

Income statement and comprehensive income

for the year ended 31 December 2017

	Note	2017 $000	2016 $000
Revenue	1	**2,690**	2,582
Gross profit		**2,690**	2,582
Operating expenses		**(155)**	(544)
Administrative expenses		**(2,575)**	(2,416)
Provision for impairment		**(159)**	(4,162)
Operating loss	1,5	**(199)**	(4,540)
Financial income	6	**-**	-
Loss before tax		**(199)**	(4,540)
Taxation	7	**217**	134
Profit/(loss) for the year, being total comprehensive income/(expense) for the year		**18**	(4,406)

The results above relate to continuing operations.

The Company has no other income or expenses recognised in the year, other than those shown in the 'Income Statement and Comprehensive Income' above.

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

Balance sheet
at 31 December 2017

	Note	2017 $000	2016 $000
Non-current assets			
Property, plant and equipment	8	**149**	157
Intangible assets	9	**218**	184
Investments in subsidiaries	10	**1**	1
		368	342
Current assets			
Trade and other receivables	11	**105,436**	102,847
Cash		**911**	2,124
		106,347	104,971
Total assets		**106,715**	105,313
Current liabilities			
Trade and other payables	12	**(115,193)**	(113,809)
Total liabilities		**(115,193)**	(113,809)
Net liabilities		**(8,478)**	(8,496)
Equity attributable to equity holders of the parent			
Share capital	13	**-**	-
Retained losses	13	**(8,478)**	(8,496)
Total equity		**(8,478)**	(8,496)

These financial statements were approved by the board of directors on 23 May 2018 and were signed on its behalf by:

Francis Egan
Director

Company registered number: 6472493

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

Cash flow statement
for the year ended 31 December 2017

	2017	2016
	$000	$000
Cash flows from operating activities		
Loss before tax for the year	(199)	(4,540)
Adjustments for:		
Depreciation and amortisation	73	89
Foreign exchange losses	145	42
Impairment of loans to subsidiaries	159	4,071
Impairment of investments in subsidiaries	-	91
Increase in trade and other receivables	(2,665)	(6,744)
Increase in trade and other payables	1,384	6,689
	(1,103)	(302))
Tax received	134	-
Net cash outflow from investing activities	(969)	(302)
Cash flows from investing activities		
Purchases of property, plant and equipment	-	(149)
Purchases of intangible assets	(99)	(112)
Net cash outflow from investing activities	(99)	(261)
Net decrease in cash	(1,068)	(563)
Cash at start of year	2,124	2,729
Effect of exchange rate fluctuations on cash held	(145)	(42)
Cash at 31 December	911	2,124

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Cuadrilla Resources Limited (the "Company") is a company incorporated in and domiciled in the United Kingdom.

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and applied in accordance with the provisions of the Companies Act 2006.

The Company's financial statements are presented in US dollars, which is the Company's functional and presentation currency.

Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Foreign currency

Transactions in foreign currencies are translated to the functional currencies of Company at the foreign exchange rate issued at by Her Majesty's Revenue & Customs at the beginning of the month in which the transaction occurs. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis within administrative costs.

Investments

Investments in subsidiaries are stated at cost less impairment.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Property, plant and equipment

Tangible fixed assets are classified as property, plant and equipment. These assets, which are not subject to depletion, are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Fixtures, fittings and equipment 4 years
- Motor vehicles 4 years

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

Notes *(continued)*

1 Accounting policies *(continued)*

Intangible assets – computer software

Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the expected useful economic life of 4 years.

Revenue

Revenue is recognised at the fair value of the consideration received or receivable from subsidiaries in respect of management services supplied during the period once the risks and rewards of the supply have been transferred.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Financing income

Financing income is interest receivable on funds invested.

Taxation

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

Current tax is the expected tax payable on the taxable income 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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

2 Business and geographical segments

The Company has a single class of business which is the provision of management services to its subsidiary companies who are involved in the exploration of oil and gas in Europe. All sales are management charges to subsidiaries.

3 Staff numbers and costs

The average number of persons (including executive directors) employed by the Company during the year was:

	Number of employees	
	Company	
	2017	*2016*
Management	*24*	*23*

The aggregate payroll costs of these persons were as follows:

	2017	*2016*
	$000	*$000*
Wages and salaries	*3,345*	*3,265*
Social security costs	*402*	*430*
Contributions to defined contribution plans	*173*	*195*
	3,920	*3,890*

4 Directors' remuneration

	2017	*2016*
	$000	*$000*
Directors' emoluments	*811*	*1,010*

The aggregate emoluments during the year of the highest paid director were $534,000 *(2016: $629,000)*.

Company contributions made to directors' money purchase pension plans total $13,000 *(2016: $33,000)*. No retirement benefits are accruing under defined benefit pension schemes.

5 Operating loss

Included in operating loss for the year are the following:

	2017	*2016*
	$000	*$000*
Impairment of loans to subsidiaries	*159*	*4,071*
Impairment of investment in subsidiaries	*-*	*91*
Depreciation of tangible fixed assets	*8*	*11*
Amortisation of intangible assets	*65*	*78*
Operating lease charges – land and buildings	*160*	*161*
Operating lease charges – motor vehicles	*23*	*16*
Operating lease charges - equipment	*32*	*-*
Foreign exchange losses	*145*	*42*

Audit fees are borne by the parent company.

Notes *(continued)*

6 Finance income

Recognised in the income statement

	2017	*2016*
	$000	*$000*
Interest income on loan to subsidiary undertaking	-	-
Interest income on bank balances	-	-
	-	-

7 Taxation

Recognised in the income statement

	2017	*2016*
	$000	*$000*
Current tax income	*217*	*134*
Deferred tax expense	-	-
Total tax income	*217*	*134*

Reconciliation of effective tax rate

	2017	*2016*
	$000	*$000*
Loss before tax for the year	*(199)*	*(4,540)*
Tax using the UK corporation tax rate of 19.25% (2016:20%)	38	908
Depreciation in excess of capital allowances for which no deferred tax asset is recognised	(2)	(2)
Non-deductible expenses	(34)	(839)
Current year losses for which no deferred tax asset is recognised	215	67
Total tax income	217	134

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and from 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

No provision for tax has been made as the Company has estimated accumulated tax losses of $13,000 *(2016:$333,000)* which are available for offset against future taxable income. A deferred tax asset has not been recognised as it is uncertain when the Company will be able to utilise the losses. The Company also has an unrecognised deferred tax asset in respect of property, plant and equipment of $11,000 *(2016:$10,000).*

Notes *(continued)*

8 Property, plant and equipment

	Fixtures, fittings & equipment	*Under construction*	*Total*
	$000	*$000*	*$000*
Cost			
Balance at 1 January 2016	58	-	58
Additions	-	149	149
Balance at 31 December 2016	58	149	207
Balance at 1 January 2017	58	149	207
Additions	-	-	-
Balance at 31 December 2017	58	149	207
Depreciation			
Balance at 1 January 2016	(39)	-	(39)
Depreciation charge for the year	(11)	-	(11)
Balance at 31 December 2016	(50)	-	(50)
Balance at 1 January 2017	(50)	-	(50)
Depreciation charge for the year	(8)	-	(8)
Balance at 31 December 2017	(58)	-	(58)
Net book value			
At 1 January 2016	19	-	19
At 31 December 2016 and 1 January 2017	8	149	157
At 31 December 2017	**-**	**149**	**149**

The depreciation charge is recognised within administrative costs for the year.

Notes *(continued)*

9 Intangible assets

	Software
Cost	***$000***
At 1 January 2016	*314*
Additions – under construction	*112*
Balance at 31 December 2016	*426*
At 1 January 2017	*426*
Additions – under construction	*99*
Balance at 31 December 2017	***525***
Amortisation	
At 1 January 2016	*(164)*
Amortisation charge for the year	*(78)*
Balance at 31 December 2016	***(242)***
At 1 January 2017	*(242)*
Amortisation charge for the year	*(65)*
Balance at 31 December 2017	***(307)***
Net book value	
At 1 January 2016	*150*
At 31 December 2016 and 1 January 2017	*184*
At 31 December 2017	***218***

The amortisation charge is recognised within administrative costs for the year.

Notes *(continued)*

10 Investments in subsidiaries

	Shares in subsidiary undertakings
	$000
Cost	
At 1 January 2017	*92*
Disposals	*(20)*
Balance at 31 December 2017	*72*
Provision for impairment	
At 1 January 2017	*(91)*
Disposals	*20*
Balance at 31 December 2017	*71*
Net book value	
At 1 January 2017 and 31 December 2017	***1***

During the year, Susquehanna Natural Resources Corporation, a subsidiary company incorporated in the USA was liquidated.

Details of the Company's principal subsidiaries at 31 December 2017 are as follows:

	Country of Incorporation	*Nature of business*	*Class of shares held*	*Ownership*
Cuadrilla Bowland Limited	*UK*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Elswick Limited	*UK*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Balcombe Limited	*UK*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Weald Limited	*UK*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Elswick (No.2) Limited	*UK*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla North Cleveland Limited	*UK*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla South Cleveland Limited	*UK*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Gainsborough Limited	*UK*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Brabant BV	*Netherlands*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Hardenberg BV	*Netherlands*	*Oil and gas exploration*	*Ordinary*	*100%*
*Cuadrilla Poland Sp.Zo.o**	*Poland*	*Oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Well Services Limited	*UK*	*Services for oil and gas exploration*	*Ordinary*	*100%*
Cuadrilla Hungary Limited	*UK*	*Investment holding*	*Ordinary*	*100%*

*liquidated in 2018

11 Trade and other receivables

	2017	*2016*
	$000	*$000*
Current		
Trade receivables	***10***	*6*
Trade receivables due from related parties (note 17)	***103,632***	*101,160*
Prepayments	***200***	*137*
Other receivables	***1,594***	*1,544*
	105,436	*102,847*

Notes *(continued)*

12 Trade and other payables

	2017	*2016*
	$000	*$000*
Current		
Trade payables	***943***	*826*
Amounts due to immediate parent company (note 17)	***113,983***	*112,257*
Social security and other taxes	***102***	*119*
Accrued expenses	***165***	*607*
	115,193	*113,809*

Amounts due to the immediate parent company relate to the settlement of liabilities on behalf of the Company. The amounts bear no interest and are repayable on demand. See Note 1 relating to the parent company's ongoing financial support.

13 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital $000	***Retained losses $000***	***Total Equity $000***
Balance at 1 January 2016	-	*(4,090)*	*(4,090)*
Total recognised income and expense	-	*(4,406)*	*(4,406)*
Balance at 31 December 2016	-	*(8,496)*	*(8,496)*
Balance at 1 January 2017	-	*(8,496)*	*(8,496)*
Total recognised income and expense	-	*18*	*18*
Balance at 31 December 2017	**-**	***(8,478)***	***(8,478)***

Share capital

	2017 number	*2016 number*
Ordinary shares		
On issue at 31 December – fully paid	***100***	*100*

	2017 $	*2016 $*
Allotted, called up and fully paid		
Ordinary shares of $1.50 each	***150***	*150*

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

Notes *(continued)*

14 Financial instruments

14(a) Fair value of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Fair values

The fair values of financial assets and liabilities are considered to be the same as the carrying amounts.

14(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company has no significant exposure to credit risk at 31 December 2017.

14(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's most significant creditor is an intercompany balance with its parent company, which although it is repayable on demand, the parent company has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available.

14(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Exposure to interest rate risks arise in the normal course of the Company's business. The Company's exposure to foreign currency risk is not considered significant.

14(e) Capital management

The Company is dependent for its working capital on funds provided to it by Cuadrilla Resources Holdings Limited, the Company's parent. Management have reviewed the forecast cash requirements of the group for the following 12 months and have satisfied themselves that the group will be able to meet its external liabilities as they fall due for payment.

Notes *(continued)*

15 Operating lease commitments

The Company leases land and buildings, vehicles and office equipment under a number of operating leases. During the year $215,000 *(2016:$177,000)* was recognised as an expense in the income statement in respect of leases.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017	*2016*
	$000	*$000*
Less than one year	***112***	*203*
Between two and five years	***67***	*75*
	179	*278*

16 Contingencies

The Company is part of a group registration for VAT.

17 Related parties

Key management personnel

The key management personnel are considered to be the directors of the Company. The compensation of the directors is given in note 4.

Management fees

The Company has recognised income of $2,690,000 in respect of management fees *(2016:$2,570,000).* Management fees are charges for operational and administrative services provided by the Company to subsidiary companies. The management fees are agreed to by both parties and are recorded at a value equivalent to the cost to the Company.

Other related party transactions

	Receivables outstanding		***Payables outstanding***	
	2017	*2016*	***2017***	*2016*
	$000	*$000*	***$000***	*$000*
Immediate parent company	**-**	-	***113,983***	*112,257*
Subsidiaries	***103,594***	*101,124*	**-**	-
AJ Lucas Group Limited (see note 18)	***38***	*36*	**-**	-
	103,632	*101,160*	***113,983***	*112,257*

All intercompany accounts are current.

Notes *(continued)*

18 Ultimate parent company and parent company of larger group

The company is a subsidiary of Cuadrilla Resources Holdings Limited which is jointly controlled by its shareholders:

- Lucas Cuadrilla PTY Limited (47%);
- Riverstone/Carlyle Global Energy and Power Fund IV (Cayman) LP (45%); and
- Management team and employees (8%).

The largest and smallest consolidated financial statements into which the results of the Company are consolidated are those of the ultimate parent company, Cuadrilla Resources Holdings Limited. Cuadrilla Resources Holdings Limited is a company incorporated in the United Kingdom and copies of the consolidated financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.