Company Registration No. 06724458 (England and Wales)

Gas Strategies Holdings Limited

Annual report and consolidated financial statements for the year ended 31 December 2016

Gas Strategies Holdings Limited

Company information

Directors	Patrick Breen Clare Spottiswoode
Company number	06724458
Registered office	10 St Bride Street London EC4A 4AD
Independent auditors	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE

Gas Strategies Holdings Limited

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For the year ended 31 December 2016

The directors present the strategic report for the year ended 31 December 2016.

Development and performance of the business
Highlights

2016 represented a third consecutive year of depressed activity in the global gas and LNG industry. Whilst oil prices recovered somewhat for Brent spot to end the year at $54 / bbl, an increase of some 46% over the period, gas and LNG prices remained low.

The expectations of significant supply overcapacity overshadowed pre-FID projects throughout 2016, representing a challenging environment in which marketing of LNG projects was constrained by concerns of over commitment on the part of buyers and expectations of excess industry capacity running potentially to 2025. Only two projects for new capacity took FID during the year. This characterises the significant stagnation that has affected the LNG and gas industry throughout 2016.

Gas Strategies Group has been impacted by such industry challenges, just as much as our clients have been. During the year, Gas Strategies Group's global revenues fell back by some 21% and the impact of the industry environment was felt across all service lines of the business.

However, with hindsight, LNG supply and demand balance in 2016 has performed far better than expectations and the anticipated submergence under a wave of new LNG did not occur: in part due to delays in new projects coming online and also because of significant growth of demand in a number of markets – particularly China and India. A similar more favourable industry performance is now also expected for 2017.

The first few months of 2017 have shown promising indications that the very subdued new business environment of 2016 in LNG liquefaction investment is giving way to a new optimism for a return to a growth agenda, albeit on the basis of new benchmarks. Principal amongst these recalibrated parameters are the downward drive on the EPC costs of liquefaction, the costs of feedgas, the "deal size" of expected SPAs / LCTAs and (potentially) contract term.

This has not yet translated into improvements in business levels and it may take some time for growth to return to Gas Strategies' business. Nonetheless we consider this a positive outlook for our industry, our clients and our business. We are confident that Gas Strategies has the business strategy and the capable team to assure our positioning as the global gas and LNG industry recovers, and to sustain a healthy business during 2017 and beyond.

Business environment
During 2016 the global oil and gas industry continued to experience the challenging market environment of lower oil prices that commenced in mid-2014. However the Brent spot price marker, which at the end of December 2015 was at $36.85 / bbl and just off its lowest in 11 years, after a further fall to sub-$30 / bbl in January recovered somewhat over the course of 2016. The apparent resolve by OPEC to return to controls on production contributed to Brent spot closing 2016 at $54 / bbl, some 46% up over the year. For the longer term OPEC itself has settled into a prediction of $60 / bbl by 2020.

This has allowed oil-indexed LNG prices to recover to a degree, giving some respite to revenues under long term supply contracts, but still insufficient to put black ink on the results of the high cost liquefaction projects coming on line, particularly those in Australia whose financial viability is dependent on US$80+/ bbl oil.

On the supply side, five new liquefaction trains were commissioned in Australia, the first two trains of Sabine Pass in the US came online and in Malaysia the 9th liquefaction train of 3.6 MTPA was commissioned at the existing Petronas' Bintulu plant. The increase in LNG production, including resumption of production in Angola and Egypt, was significant +7.5% although lower than had been expected at the start of the year. Due to the slow ramp-up of several Australian projects, the combined new liquefaction capacity of 36 MT worldwide starting up in the course of the year only added 18MT of actual new supply in 2016.

LNG demand also did not outturn as generally expected and proved to be particularly strong in the case of China (+36.9% growth) due to an increase in gas-fired power generation and from industry, and India (+30%) helped by low spot prices and a price sensitive LNG demand. Strong demand growth was also seen in Egypt, Pakistan and Jordan. On the other hand Europe also did not act as the sink for the 2016 production increase and the UK saw the largest year-on-year decline in imports (2.6MT or -26%) while Belgium and the Netherlands also recorded declines of respectively –58% and – 42%.

Although the expected "wave" of LNG breaking over the market did not materialise, and demand growth proved stronger than expected, the expectations of significant supply overcapacity overshadowed pre-FID projects throughout the year. Only two FIDs were taken during the year, one in Indonesia (Tangguh Train 3) and one in the United States (Elba Liquefaction). This represents the lowest volume of liquefaction project sanctions in any year since 2008.

A large number of potential expansion and new liquefaction projects continued to market their LNG volumes and liquefaction capacities, despite a general buyer-side ambivalence through the year which saw no urgency to commit to new long term Sale and Purchase Agreements (SPAs) / Liquefaction Capacity Tolling Agreements (LCTAs). Throughout 2016 buyers were confident in the expectation of increased liquidity in spot markets and that ample supply would be sustained up to a rebalancing of supply and demand in 2022 or 2023. Many project developers have recognised the ongoing challenging market environment and competitive nature of the business and for them design optimisation and reduction of project costs became a key focus through much of the year.

Eleven new LNG import terminals were commissioned during 2016, adding a combined 32 MTPA of new regasification capacity. This included four new importing countries: Colombia, Finland, Jamaica and Poland. Of the new import terminals six are onshore facilities and five incorporate floating solutions. Five import terminal expansions were also completed in existing LNG markets. At the end of the year, 6 new offshore terminals and 13 new onshore terminals were reported to be under construction, 5 of which are in China. Seven expansion projects were also underway. In addition, several FSRU projects have been proposed in new markets including Bangladesh, Croatia, El Salvador, Ghana, Ivory Coast, Morocco, Myanmar, Philippines, Puerto Rico, South Africa and Sri Lanka.

The first few months of 2017 have shown promising indications that the very subdued new business environment of 2016 in LNG liquefaction is giving way to a new optimism for a return to a growth agenda, albeit on the basis of new benchmarks. Principal amongst these recalibrated parameters are EPC costs of liquefaction, the costs of feedgas, the "deal size" of expected SPAs / LCTAs and (potentially) contract term.

The outlook for LNG supply and demand for 2017 is again indicating that the industry will not be submerged under a wave of over supply, with confidence that new demand will emerge for LNG at lower prices and shortening the period of any potential imbalance. Innovation in commercial models is likely to be critical to many projects being successful in this new phase of the LNG industry's development, including new sources and commercial arrangements for feedgas from US shale, and contracting and financing arrangements that mirror the challenge for traditional utility buyers to enter into long term supply or capacity commitments as their markets liberalise.

The prospects for future development and monetisation of resources are not restricted to the US, with new upstream basins such as the East Mediterranean and Mexico being recognised and brought forward as new sources of growth for global gas. Further LNG projects are being mooted by Russia to follow Yamal LNG which is due to commence production in 2017. The development of Iran LNG is also being progressed with international partners in anticipation of the progressive relief from sanctions and most recently there has been the announcement by Qatar to lift its moratorium on new LNG projects and to produce an additional 15 MTPA of LNG within five to seven years.

Gas and related infrastructure investment has continued to attract strong interest from sovereign wealth funds, infrastructure funds and private equity through 2016. Interest in and competition for assets has continued to drive valuation multiples higher, with recognisably greater aggressiveness in the assessment and factoring of growth potential.

Business performance during 2016

Unsurprisingly, Gas Strategies Group has been directly impacted by the continuing challenges faced by its clients during 2016. The year saw Gas Strategies Group's overall revenues fall back again some 21% to £4.7m. Consulting revenues while initially sustained at acceptable levels during the first quarter, fell significantly in the remainder of the year, Information Services again fell back by 7.8% while public training courses were not offered as recruitment and training expenditure in the industry continued largely frozen.

Consulting performance through 2016 represented the most difficult trading conditions experienced by the business in more than 10 years, a period in which the commitment and capabilities of our team were most challenged. An apparent initial market uplift in the first quarter for LNG related services proved to be short lived: the absence of industry confidence seen in the April LNG 18 conference in Perth rapidly fed through to low levels of business enquiries which sustained throughout the remainder of 2016. We were pleased in this period to continue serving project developments that were already matured beyond FID, and those well resourced clients that remained intent on bringing forward new LNG projects when market conditions improve. We were engaged by a number of project developers and lenders in assisting them to understand and to develop strategies to address the risks to their financing and business models as a consequence of the prevailing market conditions.

We also recognised an increasing interest by clients for whom lower gas prices represent an opportunity, for example in supporting their understanding of the opportunities in LNG to power projects in new markets for LNG.

Our support to investors in gas infrastructure remained a material part of the Consulting business mix in 2016, supporting private equity and sovereign wealth funds and infrastructure funds in transactions and portfolio planning across three continents. Our engagement in a further major global LNG infrastructure transaction was commissioned at year-end.

During 2016 we were pleased to also provide expert witness input to a number of gas price and commercial disputes and arbitral processes.

Geographically, Consulting continues to support a client base focused on the gas, LNG and gas/LNG-to-power sectors at various stages of maturity and across the globe in both developed and developing economies.

Within our Information Service business line, a strong focus on client engagement yielded significant improvement in subscriber retention rates over the year. This has been a significant achievement following challenges to our subscriber base over a number of years due to pressure as clients continued to seek headcount and cost reductions. New business however has not yet been achieved at a level that will ensure that the revenues for Information Services return to growth.

Our editorial team has continued to improve their connection to the market and the timely relevance of content as the global gas and LNG market undergoes fundamental challenge and change. The flagship Gas Strategies Interviews series has continued to build recognition, and a compendium of the best of prior year interviews was published early in 2016.

Despite continuing challenging market conditions in 2016, Gas Strategies Group maintained reasonable profitability for the year overall, supported by strong management of costs.

We recognise the great contribution which our staff and associates make to the success of Gas Strategies Group and have maintained a strong commitment to their training and development despite the market conditions and associated business challenges. Our business would not be what it is without their commitment, and without our valued clients who trust us with some of their greatest business problems.

We are pleased to note some green shoots of recovery emerging in the global LNG industry in the early months of 2017. This has not yet manifested itself in improvements in business levels and it may take some time for growth to return Gas Strategies' business. Nonetheless we consider this a positive outlook for our industry, our clients and our business. We are confident that Gas Strategies has the business strategy and the capable team to assure our positioning as the global gas and LNG industry recovers, and to sustain a healthy business during 2017.

Key performance indicators
Gas Strategies Group Limited considers its key performance indicators to be:

Sales Growth – (-21.0%; 2015 -27.2%) representing contraction in Consulting and Information Services, with no revenue contribution from public Training.

Gross Margin – (52.5%; 2015 50.0%) delivering sustained strength in gross margins, particularly through larger scale consulting assignments and continuing focus on cost control, offset by the impact of reduced revenues.

Operating Profit – (11.4%; 2015 9.7%) reflecting the impact of lower sales revenue offset by stronger gross margin performance against a relatively inflexible overhead cost base.

Principal Risks and Uncertainties

The company is exposed to risks in the confidence and direction of the global gas, LNG and wider energy industry, which is closely related to overall economic growth and to trends in global oil and gas prices. This risk may impact from time to time the demand for and competitive remuneration rates available in the market for the company's services, in addition to the availability, salaries and fee levels of staff and consultants.

The company is also exposed to risks in the movement of £/US$, and £/€ exchange rates. This may impact from time to time our competitiveness in the marketplace, the margins achieved on our services and exchange losses.

The uncertainties introduced by the United Kingdom referendum decision to leave the European Union introduced a new business risk in 2016. This may impact our access to and competitiveness in the EU marketplace and may have consequences on the company's eligibility to undertake projects for some existing and potential clients.

On behalf of the board

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Patrick Breen
Director
21 April 2017

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activities

During 2016 the principal activities of the group continued to be those of consulting services, management training and the provision of information services to the global energy industry.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Patrick Breen
Clare Spottiswoode

Results and dividends

Interim ordinary dividends were paid, amounting to £1,000,000. The directors do not recommend payment of a final dividend.

Auditors

Saffery Champness LLP have expressed their willingness to continue in office.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 group and company, and of the profit or loss of the group 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditors of the company and group are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditors of the company and group are aware of that information.

Cash Flow, Borrowing and Liquidity

The company has again achieved strong cash flow from its trading activities, with effective management of working capital. The business has been self-financing throughout the year.

In light of the continuing trading uncertainties that result from the outlook for global energy markets and wider economies during 2017, the directors have made prudent assessments of potential impact on company cash flows during 2017. The directors believe that existing resources will support the cash flow and liquidity requirements of the business in trading during 2017.

Employees

Details of the number of employees are given in Note 4 in the financial statements.

Applications for employment by disabled persons are always considered. In the event of existing members of staff becoming disabled every effort would be made to ensure that their employment with the company continues and the appropriate support and training is available.

The company aims to keep employees informed of all relevant matters through regular staff meetings, both formal and informal, and through written communications. Staff issues are dealt with efficiently and fairly. The company feels it has a transparent and appropriate policy for employee remuneration.

Environment

The company recognises the importance of its environmental responsibilities and monitors its impact on the environment and designs and implements appropriate policies to minimise any damage that might be caused by the company's activities. Initiatives designed to minimise the company's impact on the environment include recycling and reducing energy consumption wherever possible.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

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Patrick Breen

Director

21 April 2017

Gas Strategies Holdings Limited

Independent auditors' report
To the members of Gas Strategies Holdings Limited

We have audited the financial statements of Gas Strategies Holdings Limited for the year ended 31 December 2016 set out on pages 10 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom 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 auditors' 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 auditors
As explained more fully in the Directors' Responsibilities Statement set out on pages 2 to 3, 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 of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of its profit 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 matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Saffery Champness LLP

12 May 2017

Lucy Brennan (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Gas Strategies Holdings Limited

Consolidated statement of comprehensive income
For the year ended 31 December 2016

	Notes	2016 £	2015 £
Turnover	**2**	4,669,277	5,903,445
Cost of sales		(2,218,085)	(2,953,187)
Gross profit		2,451,192	2,950,258
Administrative expenses		(1,919,467)	(2,377,616)
Operating profit		531,725	572,642
Interest receivable and similar income	**5**	2,364	2,287
Profit before taxation		534,089	574,929
Taxation		(139,423)	(148,385)
Profit for the financial year	**13**	394,666	426,544

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

Gas Strategies Holdings Limited

Consolidated statement of financial position
As at 31 December 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Goodwill	6		718,009		778,438
Other intangible assets	6		19,429		32,740
Total intangible assets			737,438		811,178
Tangible assets	7		269,266		350,381
			1,006,704		1,161,559
Current assets					
Debtors	10	714,232		1,142,858	
Cash at bank and in hand		2,281,833		2,314,528	
		2,996,065		3,457,386	
Creditors: amounts falling due within one year	11	(935,958)		(896,800)	
Net current assets			2,060,107		2,560,586
Total assets less current liabilities			3,066,811		3,722,145
Capital and reserves					
Called up share capital	12		172,250		182,000
Share premium account			126,000		126,000
Capital redemption reserve			47,250		37,500
Profit and loss reserves	13		2,721,311		3,376,645
Total equity			3,066,811		3,722,145

The financial statements were approved by the board of directors and authorised for issue on 21 April 2017 and are signed on its behalf by:

....
Patrick Breen
Director

Company statement of financial position
As at 31 December 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Investments	**8**		2,859,915		2,859,915
Current assets					
Cash at bank and in hand		7,498		1,007,927	
Creditors: amounts falling due within one year	**11**	(2,283,132)		(3,219,682)	
Net current liabilities			(2,275,634)		(2,211,755)
Total assets less current liabilities			584,281		648,160
Capital and reserves					
Called up share capital	**12**		172,250		182,000
Share premium account			126,000		126,000
Capital redemption reserve			47,250		37,500
Profit and loss reserves	**13**		238,781		302,660
Total equity			584,281		648,160

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £986,121 (2015 - £108,571 profit).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on ..21 April 2017.. and are signed on its behalf by:

....

Patrick Breen
Director

Company Registration No. 06724458

Gas Strategies Holdings Limited

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Notes	Share capital	Share premium account	Capital redemption reserve	Profit and loss reserves	Total
		£	£	£	£	£
Balance at 1 January 2015		182,000	126,000	37,500	3,150,101	3,495,601
Year ended 31 December 2015:						
Profit and total comprehensive income for the year		-	-	-	426,544	426,544
Dividends		-	-	-	(200,000)	(200,000)
Balance at 31 December 2015		182,000	126,000	37,500	3,376,645	3,722,145
Year ended 31 December 2016:						
Profit and total comprehensive income for the year		-	-	-	394,666	394,666
Dividends		-	-	-	(1,000,000)	(1,000,000)
Own shares acquired in the period		(9,750)	-	-	(40,250)	(50,000)
Transfers		-	-	9,750	(9,750)	-
Balance at 31 December 2016		172,250	126,000	47,250	2,721,311	3,066,811

Gas Strategies Holdings Limited

Company statement of changes in equity
For the year ended 31 December 2016

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2015		182,000	126,000	37,500	394,089	739,589
Year ended 31 December 2015:						
Profit and total comprehensive income for the year		-	-	-	108,571	108,571
Dividends		-	-	-	(200,000)	(200,000)
Balance at 31 December 2015		182,000	126,000	37,500	302,660	648,160
Year ended 31 December 2016:						
Profit and total comprehensive income for the year		-	-	-	986,121	986,121
Dividends		-	-	-	(1,000,000)	(1,000,000)
Own shares acquired in the period		(9,750)	-	-	(40,250)	(50,000)
Transfers		-	-	9,750	(9,750)	-
Balance at 31 December 2016		172,250	126,000	47,250	238,781	584,281

Consolidated statement of cash flows
For the year ended 31 December 2016

	Notes	£	2016 £	£	2015 £
Cash flows from operating activities					
Cash generated from operations	**18**		1,042,736		881,299
Income taxes paid			(26,269)		(311,702)
Net cash inflow from operating activities			1,016,467		569,597
Investing activities					
Purchase of intangible assets		-		(39,934)	
Purchase of tangible fixed assets		(8,776)		(17,284)	
Proceeds on disposal of tangible fixed assets		7,250		-	
Interest received		2,364		2,287	
Net cash generated from/(used in) investing activities			838		(54,931)
Financing activities					
Purchase of own shares		(50,000)		-	
Dividends paid to equity shareholders		(1,000,000)		(200,000)	
Net cash used in financing activities			(1,050,000)		(200,000)
Net (decrease)/increase in cash and cash equivalents			(32,695)		314,666
Cash and cash equivalents at beginning of year			2,314,528		1,999,862
Cash and cash equivalents at end of year			2,281,833		2,314,528

1 Accounting policies

Company information

Gas Strategies Holdings Limited ("the company") is a private limited company incorporated in England and Wales. The registered office is 10 St Bride Street, London, EC4A 4AD.

The group consists of Gas Strategies Holdings Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2016.

1.2 Turnover

Turnover represents the amounts receivable in respect of goods and services supplied net of VAT and discounts.

The value of Consulting services is recognised as the services are rendered, including revenues based on fixed prices and contractual man-day rates. Incentive performance revenues are recognised upon completion of agreed objectives. Training course delegate fees are recognised upon completion of the training course. Information Services revenues are recognised on a straight line basis over the subscription term.

1 Accounting policies (continued)

1.3 Intangible fixed assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings represents the excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	33.33% using the straight line basis

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	Over the term of the lease
Fixtures, fittings & equipment	25% and 33.33% using the straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1 Accounting policies (continued)

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Accounting policies (continued)

Basic financial assets
Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

1 Accounting policies (continued)

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as 'creditors: amounts falling due within one year' if payment is due within one year or less. If not, they are presented as 'creditors: amounts falling due after more than one year'. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Other financial liabilities, including debt instruments that do not meet the definition of a basic financial instrument, are measured at fair value through profit or loss.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies (continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1 Accounting policies (continued)

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1.15 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

2 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016	2015
	£	£
Turnover		
	4,669,277	5,903,445
Other significant revenue		
Interest income	2,364	2,287

Turnover analysed by geographical market

	2016	2015
	£	£
UK	602,055	1,172,525
Overseas (excluding US)	3,353,592	4,151,105
US and Canada	713,630	579,815
	4,669,277	5,903,445

3 Auditors' remuneration

	2016	2015
Fees payable to the company's auditors and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	3,000	2,750
Audit of the company's subsidiaries	15,750	15,750
	18,750	18,500

4 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2016 Number	2015 Number	Company 2016 Number	2015 Number
Total	7	9	-	-
Client services/production	18	22	-	-
	25	31	-	-

Their aggregate remuneration comprised:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Wages and salaries	1,540,383	1,883,245	-	-
Social security costs	185,302	272,506	-	-
Pension costs	62,498	86,957	-	-
	1,788,183	2,242,708	-	-

5 Interest receivable and similar income

	2016 £	2015 £
Other interest receivable and similar income	2,364	2,287

6 Intangible fixed assets

Group	Goodwill	Other	Total
	£	£	£
Cost			
At 1 January 2016 and 31 December 2016	1,174,842	39,934	1,214,776
Amortisation and impairment			
At 1 January 2016	396,404	7,194	403,598
Amortisation charged for the year	60,429	13,311	73,740
At 31 December 2016	456,833	20,505	477,338
Carrying amount			
At 31 December 2016	718,009	19,429	737,438
At 31 December 2015	778,438	32,740	811,178

The company had no intangible assets at 31 December 2016 or 31 December 2015.

7 Tangible fixed assets

Group	Plant and machinery etc
	£
Cost	
At 1 January 2016	960,573
Additions	8,776
Disposals	(32,859)
At 31 December 2016	936,490
Depreciation and impairment	
At 1 January 2016	610,192
Depreciation charged in the year	78,072
Eliminated in respect of disposals	(21,040)
At 31 December 2016	667,224
Carrying amount	
At 31 December 2016	269,266
At 31 December 2015	350,381

The company had no tangible fixed assets assets at 31 December 2016 or 31 December 2015.

8 Fixed asset investments

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Investments	-	-	2,859,915	2,859,915

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet. The subsidiary undertakings whose results or financial position principally affected the figures shown in the Group's financial statements are listed in note 17.

8 Fixed asset investments (continued)

Movements in fixed asset investments

Company	**Shares**
	£
Cost or valuation	
At 1 January 2015 & 31 December 2015	2,859,915
Carrying amount	
At 31 December 2016	2,859,915
At 31 December 2015	2,859,915

9 Financial instruments

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	£	**£**	**£**	**£**
Carrying amount of financial assets				
Debt instruments measured at amortised cost	472,839	829,810	-	-
Carrying amount of financial liabilities				
Measured at amortised cost	750,903	807,499	2,283,132	3,219,682

10 Debtors

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
Amounts falling due within one year:	**£**	**£**	**£**	**£**
Trade debtors	469,686	827,157	-	-
Other debtors	244,546	315,701	-	-
	714,232	1,142,858	-	-

11 Creditors: amounts falling due within one year

	Group 2016 £	2015 £	Company 2016 £	2015 £
Trade creditors	95,159	281,743	-	-
Amounts due to group undertakings	-	-	2,283,132	3,219,682
Corporation tax payable	129,774	16,620	-	-
Other taxation and social security	55,281	72,681	-	-
Other creditors	655,744	525,756	-	-
	935,958	896,800	2,283,132	3,219,682

12 Share capital

	Group and company 2016 £	2015 £
Ordinary share capital		
Authorised		
1,000,000 Ordinary Shares of £1 each	1,000,000	1,000,000
Issued and fully paid		
172,250 Ordinary Shares of £1 each	172,250	182,000

During the year, the company repurchased 9,750 shares for consideration of £50,000. These shares were then cancelled.

13 Profit and loss reserves

	Group 2016 £	2015 £	Company 2016 £	2015 £
At the beginning of the year	3,376,645	3,150,101	302,660	394,089
Profit for the year	394,666	426,544	986,121	108,571
Dividends	(1,000,000)	(200,000)	(1,000,000)	(200,000)
Own shares acquired	(50,000)	-	(50,000)	-
At the end of the year	2,721,311	3,376,645	238,781	302,660

14 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
	1,011,187	756,083	-	-

15 Related party transactions

No guarantees have been given or received.

Group
During the year the group invoiced £nil (2015: £91,784) to P J Breen Limited. Patrick Breen, a director of Gas Strategies Holdings Limited, is the principal shareholder in P J Breen Limited. At the year end P J Breen Limited owed the group £nil (2015: £4,353), which was included in trade debtors.

Company
The company has taken advantage of the exemption in Financial Reporting Standard 102 Section 33 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate controlling party.

16 Directors' transactions

Dividends totalling £769,231 (2015 - £145,600) were paid in the year in respect of shares held by the company's directors.

17 Subsidiaries

Details of the company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking and country of incorporation or residency		***Nature of business***	***Class of shareholding***	***% Held***
Gas Strategies Group Limited	England & Wales	Consulting	Ordinary	100.00
Alphatania Limited	England & Wales	Dormant company	Ordinary	100.00
Gas Matters Limited	England & Wales	Dormant company	Ordinary	100.00
Overview Limited	England & Wales	Dormant company	Ordinary	100.00
Gas Strategies Consulting Limited	England & Wales	Dormant company	Ordinary	100.00

18 Cash generated from group operations

	2016	2015
	£	£
Profit for the year after tax	394,666	426,544
Adjustments for:		
Taxation charged	139,423	148,385
Investment income	(2,364)	(2,287)
Loss on disposal of tangible fixed assets	4,569	-
Amortisation and impairment of intangible assets	73,740	67,623
Depreciation and impairment of tangible fixed assets	78,072	106,619
Movements in working capital:		
Decrease in debtors	428,626	450,660
(Decrease) in creditors	(73,996)	(316,245)
Cash generated from operations	1,042,736	881,299