Cuadrilla Resources Holdings Limited
Registered number: 7147040

Annual Report and Consolidated Financial Statements

Year ended 31 December 2015

Contents

Chief Executive Officer's Review

Welcome to Cuadrilla's Annual Financial Statements for 2015.

I am very pleased to say that following a twelve month appeal process we have now received planning consent for our proposed shale gas exploration site at Preston New Road in Lancashire. We are now focused on ensuring that planning conditions are discharged smoothly and plan to begin site build towards the end of this year. We expect to be drilling wells in the first half of 2017 and testing the flow of gas from those wells in the second half. Regarding our similar application for a proposed site at Roseacre Wood, I am encouraged that the Secretary of State is minded to grant subject to further consultation on highways conditions, and we look forward to demonstrating that we can meet these requirements.

We are very confident that our operations will be safe and responsible and the comprehensive site monitoring programmes planned by ourselves, by regulators and by independent academic institutions will in due course conclusively demonstrate this. Throughout our operations communication and engagement with the local community will remain a priority for us. This consent has given Lancashire a big vote of confidence in its economic and energy future and we are proud to be at the forefront in delivering this exciting opportunity for the County.

Earlier this year we cemented our commitment to Lancashire by moving our headquarters from Staffordshire to Bamber Bridge, just South of Preston, with the refurbishment and associated refit of our new offices being carried out by Lancashire based companies. Whilst the move meant we bid farewell to some long standing employees, who chose not to make the move North due to personal commitments, we are delighted to have created eight full time roles in as many months for locally based people. Receiving planning consent means we will increase employment and procurement opportunities for Lancashire and we are committed to putting Lancashire people and businesses first as we progress our work in the County.

Across the Pennines we have now formally accepted the award of further onshore exploration licences issued by the UK Oil & Gas Authority. These licences total approximately 1,274km^2 in area, and are located in Yorkshire. Whilst our current operational focus remains primarily in Lancashire, we will be undertaking desktop studies for this new exploration acreage. This will give us a very detailed understanding of the geology deep underneath the licence areas, helping to assess where future exploration sites can subsequently be located.

The year ahead will be a pivotal and exciting one for Cuadrilla. Assessing the commercial viability of shale gas production in the UK is a national imperative, as reliance on imported gas to heat our homes, fuel our industry and generate electricity continues to rapidly grow. We are very pleased that we can now start operations to make production of UK shale gas a reality. I look forward to sharing positive progress with regard to those operations in next year's report.

Francis Egan
Chief Executive Officer

6 October 2016

ENGAGING WITH LOCAL COMMUNITIES

Strategic Report

Results and Proposed Dividends

The results for the year and the Group's financial position as at the year end are shown in the attached financial statements. The Directors do not recommend the payment of a dividend.

Business Review

The principal activities of the business continue to be the exploration for hydrocarbons in the onshore licences held by the group in Europe.

Cuadrilla remains debt free and is financed by its shareholders. As at 31 December 2015, the Company was jointly controlled by its shareholders as follows:

- AJ Lucas (45%)
- Riverstone (45%); and
- Management team and employees (10%)

During 2015, the Group has continued to prepare for the operations which are planned for the proposed exploration sites in Lancashire. Operating and administrative costs, stated after contributions from joint operating partners of $17.5m are broadly in line with the previous year (2014: $16.3m). The Group has net assets of $39.5m (2014: $53.1m).

Going Concern

The statutory accounts have been prepared on a going concern basis, which the directors believe to be appropriate.

Management have reviewed the forecast cash requirements of the Group for the 12 months following the date of approval of these financial statements and have satisfied themselves that the Group will be able to meet external liabilities as they fall due and that the required monetary injections have been identified and are available should they be needed.

Principal Risks and Uncertainties

As a pioneering onshore oil and gas exploration group, Cuadrilla is exposed to and manages a variety of risks to enable safe and responsible operations. The Board monitors risk exposure and is responsible for ensuring that the Group's risk management system is operating effectively. The principal risks are as follows:

Risk Description	Risk Management
Exploration and Appraisal Due to geological and technical uncertainties, there are inherent risks in assessing the level of oil and gas reserves that are recoverable and can be produced economically.	Cuadrilla focuses on a selected portfolio of unconventional prospects in Europe. Sites are selected after peer review and collection and extensive analysis of geological and 3D data. The Group has developed its own team of professional in-house technical experts and seeks external support from experienced consultants as required.
HSE Risk Oil and gas exploration activities carry HSE risks. Failure to manage these risks properly could result in injury, environmental damage, security breaches or damage to equipment.	Management of HSE risk is a main priority of the business and the HSE committee reports directly to the Board. Cuadrilla has a comprehensive risk management system in place and the effectiveness of this is continually being reviewed and improved. A training and development programme is maintained and a behavioural programme is also in place to ensure working practices are safe.
Regulatory Risk Through its operations, the Group is exposed to planning, permitting, licensing and other legislative regimes. Failure to secure necessary permits or permissions would affect our ability to operate on a timely basis.	The Board places considerable importance on maintaining the highest standards of legal and regulatory compliance and developing successful working relationships with relevant local and national government authorities.
People Risk Succession planning and retention of key staff are key to delivering the Group's growth strategy.	Cuadrilla's remuneration strategy is to attract and retain staff with reward packages which are benchmarked against the wider industry. Ongoing development is achieved through training and our performance appraisal system.
Equipment Risk There is a risk that Cuadrilla may be unable to meet its operational targets if specialist equipment and services are not available in a timely manner.	This risk is mitigated by Cuadrilla owning its own drill rig. There is long term planning for required resources and rigorous contracting and procurement procedures are in place.
Financial Risks Cuadrilla has joint operating agreements for certain licences and this exposes the Group to funding risk. There is also capital risk as the Group has no borrowings and is 100% equity financed.	The Board continually review cash flow forecasts to satisfy themselves that sufficient cash resources are available for the business plan and that monetary injections from shareholders are identified and available as required. Risk is mitigated by arranging funding and partnering with globally accomplished operating partners.

Rebecca Henworth

Rebecca Henworth
Company Secretary
6 October 2016

Corporate Social Responsibility Statement

Cuadrilla will conduct its business with integrity and professionalism. These principles:

- Are relevant to all Cuadrilla employees and key contractors
- Are approved and overseen by Cuadrilla's Board of Directors
- Are reviewed on a regular basis.

Accordingly:

- **Caring for our people** - Cuadrilla respects, values and welcomes diversity in its workforce. Cuadrilla will comply with applicable laws and provide equal employment opportunity for all applicants and employees without regard to race, colour, religion, sex, national origin, age, disability, marital status, sexual orientation or gender identity. It is also important to us to provide our employees with appropriate training and development to ensure they are enabled to carry out their responsibilities to the highest of standards.

- **Caring for our communities** - We strive to be a good neighbour, recognising our responsibility to work in partnership with the communities in which we operate. We understand this means regularly communicating, (listening and responding) with those communities. We also provide support, financial or otherwise, for certain community projects and initiatives.

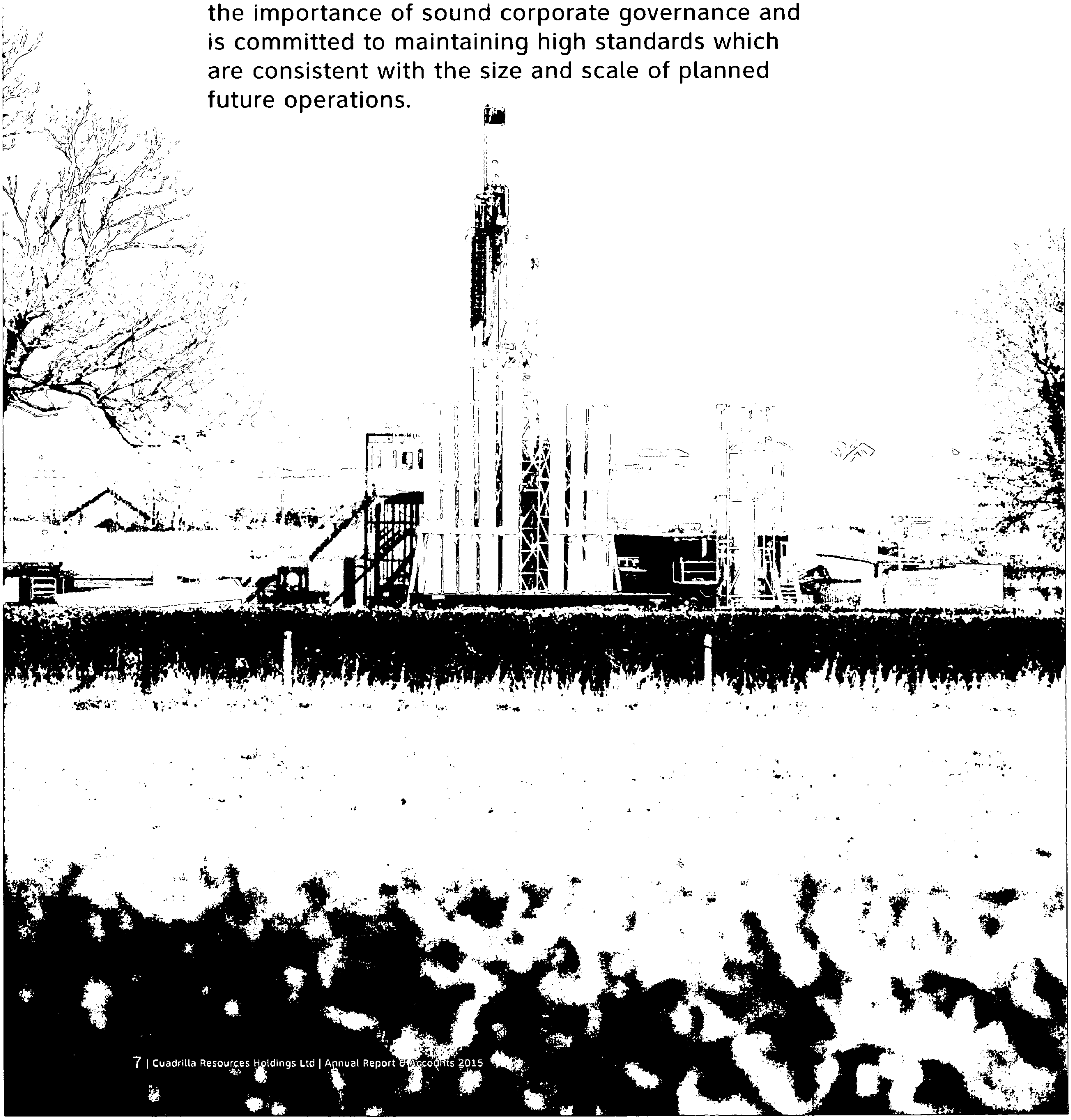
- **Working with our partners** - We are committed to ensuring that we conduct business with our suppliers and all stakeholders that are involved or affected by our business, according to ethical, professional and legal standards with fairness, integrity and in an honest, open and transparent manner.

- **Workforce safety** - We are committed to providing a working environment which is both safe and fit for the intended purpose and ensures that health and safety issues are a priority for all business operations.

- **Protecting our environment** - We believe that preserving a clean, safe, healthy environment can go hand in hand with meeting our energy needs. We are committed to a programme of management and continuous improvement to minimise any direct or indirect environmental impacts that may be associated with our business operations.

Corporate Governance

As a private company, Cuadrilla Resources Holdings Limited is not required to comply with the UK Corporate Governance Code. The board does however recognise the importance of sound corporate governance and is committed to maintaining high standards which are consistent with the size and scale of planned future operations.



The Board

The Company's Board of directors comprises of two executive directors and six non-executive directors, details of whom are set out on page 10. The Board members have a wealth of industry, technical and corporate experience. Board meetings are held 4 times during the year, and in addition executive management provide formal briefings to the board every second week. A Shareholders' Agreement sets out a formal schedule of matters which require Board approval ensuring that the Board exercises control over all key areas.

The statement of directors' responsibilities is set out on page 12.

Health, Safety and Environment ('HSE') Committee

The HSE Committee comprises Phil Arnall (as chairman) and Robin Duggan, both of whom are non-executive directors. Francis Egan (CEO) is in attendance at all meetings.

The HSE Committee meet at least four times a year and report conclusions and recommendations back to the Board. The Committee's focus is in ensuring that Cuadrilla's HSE management system and operating practices are aligned with regulatory and industry best practice and that Cuadrilla's management team are implementing those systems and associated work procedures and practices. The Committee provide assurance to the Board to ensure that:

- HSE risk is being proactively identified, assessed and appropriately managed;
- HSE policy and HSE risk management framework is effectively implemented into all operations; and
- Cuadrilla is fully compliant with all applicable HSE legislation, permits and conditions.

Audit Committee

At the date of this report, the Audit Committee comprises Alfredo Marti (as Chairman) and Phil Arnall. Francis Egan (CEO), Jill Overland (Head of Finance) and Rebecca Henworth (Company Secretary) are also in attendance at all meetings. The Committee meet with the external auditor at least twice a year.

The Committee keeps under review the external auditor's independence, objectivity and any non-audit services provided.

Remuneration Committee

The Remuneration Committee comprises Ivor Orchard (as Chairman) and Alfredo Marti, both of whom are non-executive directors.

It is Cuadrilla's policy to maintain remuneration packages which are sufficient to attract and retain executives of the highest calibre. The principal role of the Remuneration Committee is to make recommendations to the Board on Cuadrilla's remuneration policy and to determine specific remuneration packages for the executive directors and other members of the management team.

The Committee normally meets twice a year. No directors or managers are involved in any discussions or decisions relating to their own remuneration or terms and conditions of service.

Internal Controls

The Board has overall responsibility for establishing and maintaining the effectiveness of the Group's system of internal controls. The key processes are:

- HSE risk management system;
- approval by the board of operational plans and budgets;
- ongoing review and challenge of the execution of the operational plan, actual and forecast expenditure and cash flows versus the approved budget;
- approval and review of the operation plan by Joint Operating Committees for each licence attended by joint operating partners;
- weekly management meetings to review HSE, operating performance and financial activities;
- monthly management performance reviews; and
- recruitment of appropriately experienced and qualified staff to key management positions.

Bribery Act

The Company is committed to conducting all of its business in an honest and ethical manner and takes a zero-tolerance approach to all forms of bribery and corruption. All employees, contractors, consultants and suppliers are required to act professionally, fairly and with integrity in all its business dealings and relationships wherever it operates around the world. The Company has put in place appropriate measures to ensure compliance with the UK Bribery Act 2010, including individual training and assessment. More information on the Anti-Corruption and Bribery Policy is available on the website.

On behalf of the Board

Roy Franklin
Chairman of the Board
6 October 2016

Directors' Report

The directors of Cuadrilla Resources Holdings Limited (the "Company") present their report and the audited financial statements for the year ended 31 December 2015.

Principal Activities

The principal activity of the Company is a holding company of a group of subsidiaries that are involved in the exploration and appraisal of onshore oil and gas projects in Europe, and services related thereto.

Directors

The directors who held office during the year and subsequently were as follows:

Non-Executive Directors

Roy Franklin	
Phillip Arnall	
Robin Duggan	(appointed 14 April 2015)
N John Lancaster Jr	
Alfredo Martí	
Ivor Orchard	

Executive Directors

Francis Egan	Chief Executive Officer
Andrew Quarles van Ufford	Technical Director

Resigned

Lord John Browne of Madingley	Non-Executive Director	(resigned 14 April 2015)
Anthony Carruthers	Executive Director	(resigned 31 August 2015)

Directors and Officers Indemnity Insurance

The Company maintains insurance cover in respect of legal actions against its Directors and officers.

Political and Charitable Donations

Charitable and community related donations totalled $64,000 during the year (2014:$76,000). There were no political donations made by the Group in the current or prior year.

Financial Instruments

The Group holds no financial instruments outside of cash and receivables. The policies for financial risk management are disclosed in note 19.

Disclosure of Information to the 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.

On behalf of the board

Rebecca Henworth

Rebecca Henworth
Company Secretary

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

6 October 2016

Statement of Directors' Responsibilities In Respect of The Strategic Report, Directors' Report and the Financial Statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

We have audited the financial statements of Cuadrilla Resources Holdings Limited for the year ended 31 December 2015 set out on pages 15 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 12, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website www.frc.org.uk/auditscopeukprivate.

Opinion On Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 the information given in the Strategic report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters On Which We Are Required to Report By Exception

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

- adequate accounting records have not been kept 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.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
6 October 2016

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2015

	Note	2015 $000	2014 $000
Revenue	1,2	219	5,174
Cost of sales		(404)	(140)
Gross (loss)/profit		**(185)**	**5,034**
Operating expenses		(9,644)	(8,292)
Administrative expenses		(7,815)	(8,011)
Operating loss	1,3	**(17,644)**	**(11,269)**
Share of results of joint venture	6	(34)	(330)
Financial income	7	7	56
Loss before tax		(17,671)	(11,543)
Taxation	8	-	(25)
Loss for the year		**(17,671)**	**(11,568)**

The results above relate to continuing operations.

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

The accompanying notes on pages 19 to 35 form an integral part of these financial statements.

Balance Sheets

At 31 December 2015

	Note	Group 2015 $000	Group 2014 $000	Company 2015 $000	Company 2014 $000
Non-Current Assets					
Property, plant and equipment	9	12,850	17,189	-	-
Intangible assets	10	29,690	29,867	-	-
Investments in subsidiaries	11a	-	-	26,421	26,421
		42,540	47,056	26,421	26,421
Current Assets					
Inventories	12	-	271	-	-
Trade and other receivables	13	3,960	7,881	104,813	100,974
Cash at bank		2,896	8,633	-	-
		6,856	16,785	104,813	100,974
Total Assets		49,396	63,841	131,234	127,395
Current Liabilities					
Trade and other payables	14	(4,212)	(4,818)	(102)	(123)
Provisions	16	-	(1,200)	-	-
		(4,212)	(6,018)	(102)	(123)
Non-Current Liabilities					
Provisions	16	(5,657)	(4,687)	-	-
Total Liabilities		(9,869)	(10,705)	(102)	(123)
Net Assets		39,527	53,136	131,132	127,272
Equity Attributable to Equity Holders of the Parent					
Share capital	17	196,648	192,586	196,648	192,586
Merger reserve	17	(50,678)	(50,678)	(57,228)	(57,228)
Retained losses	17	(106,443)	(88,772)	(8,288)	(8,086)
Total Equity		39,527	53,136	131,132	127,272

These financial statements were approved by the board of directors on 6 October 2016 and were signed on its behalf by:

Francis Egan
Director
Company registered number: 7147040

The accompanying notes on pages 19 to 35 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

At 31 December 2015

	Issued share capital $000	Merger reserve $000	Retained losses $000	Total equity $000
Balance at 1 January 2014	192,547	(50,678)	(77,204)	64,665
Recognised loss for the year	-	-	(11,568)	(11,568)
New shares issued	39	-	-	39
Balance at 31 December 2014	**192,586**	**(50,678)**	**(88,772)**	**53,136**
Balance at 1 January 2015	192,586	(50,678)	(88,772)	53,136
Recognised loss for the year	-	-	(17,671)	(17,671)
New shares issued	4,062	-	-	4,062
Balance at 31 December 2015	**196,648**	**(50,678)**	**(106,443)**	**39,527**

The accompanying notes on pages 19 to 35 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2015

	Group	
	2015 $000	2014 $000
Cash Flows From Operating Activities		
Loss before tax for the year	(17,671)	(11,543)
Adjustments for:		
Loss on sale of tangible fixed assets	377	35
Depreciation and amortisation	3,189	3,540
Foreign exchange (gains)/losses	(78)	109
Financial income	(7)	(56)
Decrease in trade and other receivables	3,921	10,871
Decrease in inventories	271	46
Decrease in trade and other payables	(606)	(2,018)
Tax paid	-	(25)
Net Cash (Outflow)/Inflow From Operating Activities	(10,604)	959
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	878	282
Acquisition of property, plant and equipment	(3)	(102)
Capitalised exploration expenditure	(155)	(8,590)
Acquisition of other intangible assets	-	(96)
Interest received	7	56
Net Cash Inflow/(Outflow) From Investing Activities	727	(8,450)
Cash Flows From Financing Activities		
Proceeds from the issue of share capital	4,062	39
Net Cash Inflow From Financing Activities	4,062	39
Net decrease in cash	(5,815)	(7,452)
Cash at 1 January	8,633	16,194
Effect of exchange rate fluctuations on cash held	78	(109)
Cash at 31 December	2,896	8,633

The accompanying notes on pages 19 to 35 form an integral part of these financial statements.

Notes to the Financial Statements

(Forming Part of the Financial Statements)

1. Accounting Policies

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

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The parent company financial statements and the group 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.

Going Concern

The group's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic Report on page 4.

The statutory accounts have been prepared on a going concern basis, which the directors believe to be appropriate.

Management have reviewed the forecast cash requirements of the Group for the 12 months following the date of approval of these financial statements and have satisfied themselves that the Group will be able to meet its external liabilities as they fall due and that the required monetary injections have been identified and are available should they be needed.

Cash Flow Statement

The Company has not prepared a cash flow statement as it has not engaged in any cash transactions during the period. Expenses have been paid on behalf of the Company by its immediate subsidiary company, Cuadrilla Resources Limited, and settled through the intercompany current account.

Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Joint Arrangements

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangement are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

Application of the Equity Method to Joint Ventures

Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence [or joint control] commences until the date that significant influence [or joint control] ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Joint Operations

Where the Group is a party to a joint operation, the consolidated financial statements include the Group's share of the joint operations assets and liabilities, as well as the Group's share of the entity's profit or loss and other comprehensive income, on a line-by-line basis.

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate issued 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.

The assets and liabilities of foreign operations are translated to the Group's presentational currency USD at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Non-Derivative Financial Instruments

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

1. Accounting Policies Continued

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.

Cash
Cash comprises bank balances.

Exploration and Evaluation Expenses

The Group applies the successful efforts method of accounting for exploration and evaluation expenses having regard to IFRS 6, "Exploration for and Evaluation of Mineral Resources".

Pre-licence costs and costs incurred prior to a determination process are expensed directly to the income statement as incurred.

Subsequent exploration and evaluation costs directly associated with an identifiable exploration project area are capitalised as an intangible asset until the project has been evaluated. If hydrocarbons are found and, subject to further appraisal, the project is likely to be capable of commercial development, the costs continue to be carried as an asset.

The costs of unsuccessful projects are written off to the income statement: this is in accordance with the successful efforts accounting policy but is also compatible with IAS 36, "Impairment of Assets", on the basis that the asset is impaired.

Once appraisal is complete and commercial reserves are established then the relevant cost is transferred (following an impairment review as described below) from intangible exploration and evaluation assets to development and production assets within tangible assets. Expenditures incurred after the commerciality of the field has been established are capitalised within development and production assets.

Exploration and evaluation assets are amortised from the date they are available for use.

Impairment Test

Exploration and evaluation expenditures which are held under IFRS 6 are reviewed at each reporting date for indicators of impairment. Such circumstances include, but are not limited to:

i. Expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

ii. Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and

iii. Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Decommissioning Costs

Where a material liability for the removal of facilities and site restoration at the end of the field life exists, a provision for decommissioning is recognised. The amount recognised is the estimated future expenditure, determined in accordance with local conditions and requirements. Discounting is used to the extent it is material. An asset, of an amount equivalent to the provision, is also added to the applicable project and depreciated as part of the cost of the asset. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and associated asset.

Property, Plant and Equipment

The Group applies IAS 16, "Property, Plant and Equipment", and established oil and gas industry practice to expenditures relating to properties or fields with commercial reserves. If sites are already producing, assets are carried as production assets within tangible fixed assets.

Fixed assets, including production 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. The estimated useful lives are as follows:

• Plant and equipment	10 years
• Fixtures and fittings	4 years
• Motor vehicles	4 years

Gas production assets are depreciated relative to the units of production.

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

A review for impairment indicators is also carried out each year on the capitalised costs in production assets. This is carried out on a field or concession basis, as appropriate. Under oil and gas industry standard practice this impairment test is calculated by comparing the net capitalised cost with the net present value of future pre-tax cash flows which are expected to be derived from the field or concession discounted at an appropriate discount rate per annum.

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

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

1. Accounting Policies Continued

Employee Benefits

Defined Contribution Plans
A defined contribution plan is a post-employment benefit plan under which the Group 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.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting, where material, the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Preference Share Capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders. Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as an interest expense in profit or loss as accrued.

Revenue

Revenue is recognised at the fair value of the consideration received or receivable when the significant risks and rewards of ownership are transferred to the buyer in respect of services provided and gas supplied in the period.

Expenses

Operating Lease Payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financing Income

Financing income is interest receivable on funds invested. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

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.

Adopted IFRS Not Yet Applied

At the date of the approval of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue, but not yet effective:

- IFRS 9 - Financial Instruments
- IFRS 14 - Regulatory Deferral Accounts
- Annual improvements to IFRS 2010-2012 cycle
- Annual improvements to IFRS 2011-2013 cycle
- Annual improvements to IFRS 2012-2014 cycle
- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 15 - Revenue Recognition
- IFRS 16 - Leases

The Directors anticipate that adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of the Group.

2. Revenue, Business and Geographical Segments

The Group has a single class of business which is oil and gas exploration, development and production. The Group operates in one geographical area, Europe.

Revenue from external customers arises from the following:

	Group	
	2015 $000	2014 $000
Services for the exploration and appraisal of oil and gas assets	219	5,174

3. Expenses and Auditor's Remuneration

Included in operating loss are the following:

	Group	
	2015 $000	2014 $000
Depreciation of tangible fixed assets	3,087	3,448
Loss on disposal of tangible fixed assets	377	35
Operating lease charges – land and buildings	616	815
Operating lease charges – motor vehicles	47	32
Foreign exchange (gains)/losses	(78)	109

Auditor's Remuneration:

	Group	
	2015 $000	2014 $000
Audit of the parent company and consolidated financial statements	44	44
Amounts Receivable By Auditor and its Associates in Respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	41	41
Other non-audit services	-	-

4. Staff Numbers and Costs

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

	Number of employees	
	Group	
	2015 $000	2014 $000
Management and Operational Support	29	33

The aggregate payroll costs of these persons were as follows:

	$000	$000
Wages and salaries	5,086	5,297
Social security costs	593	629
Contributions to defined contribution plans	228	242
	5,907	6,168

Company
The Company had no employees during the current or prior year.

5. Directors' Remuneration

	2015 $000	2014 $000
Directors' Emoluments	1,515	1,678

The aggregate of emoluments during the year of the highest paid director were $716,000 (2014:$761,000). None of the directors hold any share options in the Company and no retirement benefits are accruing to directors (2014: none).

6. Share of Results of Joint Venture

	2015 $000	2014 $000
Delta Hungary Hydrocarbons Kft	34	330

7. Finance Income

Recognised in loss before tax.

	2015 $000	2014 $000
Finance Income		
Interest Income On Cash Balances	7	56

8. Taxation

Recognised In the Income Statement

	2015 $000	2014 $000
Current tax expense	-	25
Deferred tax expense	-	-
Total Tax Expense	-	25

Reconciliation of Effective Tax Rate

	2015 $000	2014 $000
Loss Before Tax for the Year	(17,671)	(11,543)
Tax using the UK corporation tax rate of 20.25% (2014: 21.5 %)	3,578	2,482
Effect of ring fence trades tax rate of 50% (2014: 62%)	1,868	2,093
Effect of tax rates in foreign jurisdictions	35	13
Depreciation in excess of capital allowances for which no deferred tax asset is recognised	(703)	(793)
Non-deductible expenses	(78)	(204)
Current year losses and pre-trading expenditure for which no deferred tax asset is recognised	(4,700)	(3,591)
Withholding tax on foreign sales not recoverable	-	25
Total Tax Expense	-	25

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 16 March 2016, the Chancellor announced additional planned reductions to 17% by 2020. This will reduce the company's future current tax charge accordingly.

Tax has been recorded at the effective blended rate for the period of 20.25% (2014: 21.5%).

The ring fence corporation tax rate applicable for the period of 50% comprises the main rate of corporation tax on ring fence profits of 30% and an additional supplementary charge of 20%. A new onshore allowance may also be available to reduce the supplementary charge and this will reduce the group's tax charge accordingly. In the March 2016 Budget, the Chancellor also announced that the supplementary charge is to be reduced to 10% effective from 1 January 2016. This will bring the overall ring fence corporation tax rate down from 50% to 40% and will reduce the group's future tax charge.

No provision for tax has been made as the Group has estimated accumulated tax losses and pre-trading expenditure of $53,636,000 (2014:$39,225,000) which are available for offset against future taxable income. A deferred tax asset has not been recognised as it is uncertain when the Group will be able to utilise the losses and pre-trading expenditure. The Group also has an unrecognised deferred tax asset in respect of property, plant and equipment of $2,985,000 (2014:$2,837,000).

9. Property, Plant and Equipment - Group

	Gas production assets $000	Plant and equipment $000	Fixtures & fittings $000	Motor vehicles $000	Total $000
Cost					
Balance at 1 January 2014	648	30,660	432	272	32,012
Additions	-	-	102	-	102
Disposals	-	(385)	(2)	-	(387)
Balance at 31 December 2014	648	30,275	532	272	31,727
Balance at 1 January 2015	648	30,275	532	272	31,727
Additions	-	-	3	-	3
Disposals	-	(2,588)	(465)	(245)	(3,298)
Balance at 31 December 2015	648	27,687	70	27	28,432
Depreciation, Depletion and Impairment					
Balance at 1 January 2014	(533)	(10,175)	(257)	(195)	(11,160)
Depreciation charge for the year	(111)	(3,198)	(92)	(47)	(3,448)
Disposals	-	69	1	-	70
Balance at 31 December 2014	(644)	(13,304)	(348)	(242)	(14,538)
Balance at 1 January 2015	(644)	(13,304)	(348)	(242)	(14,538)
Depreciation charge for the year	(4)	(2,899)	(162)	(22)	(3,087)
Disposals	-	1,341	465	237	2,043
Balance at 31 December 2015	(648)	(14,862)	(45)	(27)	(15,582)
Net Book Value					
At 1 January 2014	115	20,485	175	77	20,852
At 31 December 2014 and 1 January 2015	4	16,971	184	30	17,189
At 31 December 2015	**-**	**12,825**	**25**	**-**	**12,850**

Company

The Company has no property, plant and equipment.

10. Intangible Assets - Group

	Exploration & evaluation costs $000	Software $000	Total $000
Cost			
Balance at 1 January 2014	16,539	357	16,896
Additions	13,071	96	13,167
Balance at 31 December 2014	29,610	453	30,063
Balance at 1 January 2015	29,610	453	30,063
Disposals	(75)	(131)	(206)
Balance at 31 December 2015	29,535	322	29,857
Amortisation			
Balance at 1 January 2014	-	(104)	(104)
Amortisation for the year	-	(92)	(92)
Balance at 31 December 2014	-	(196)	(196)
Balance at 1 January 2015	-	(196)	(196)
Amortisation for the year	-	(102)	(102)
Disposals	-	131	131
Balance at 31 December 2015	-	(167)	(167)
Net Book Value			
At 1 January 2014	16,539	253	16,792
At 31 December 2014 and 1 January 2015	29,610	257	29,867
At 31 December 2015	**29,535**	**155**	**29,690**

Company

The Company has no intangible assets.

11a. Investments In Subsidiaries

Company

Shares in group undertakings

	2015 $000
At 1 January 2015	26,421
Additions in the year	-
Balance at 31 December 2015	**26,421**

Investments in group undertakings are recorded at cost which is the fair value of the consideration paid.

The principal subsidiaries are as follows:

	Country of Incorporation	Nature of business	Class of shares held	Ownership
Company				
Cuadrilla Resources Limited	UK	Management services to subsidiaries	Ordinary	100%
Group				
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 Hardenberg BV	Netherlands	Oil and gas exploration	Ordinary	100%
Cuadrilla Brabant 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%
Susquehanna Natural Resources Co	USA	Services for oil and gas exploration	Ordinary	100%
Cuadrilla Hungary Limited	UK	Investment holding	Ordinary	100%

11b. Investments In Jointly Controlled Entities

Group

	$000
Cost	
Balance at 1 January 2015 and 31 December 2015	3,015
Provision	
Balance at 1 January 2015 and 31 December 2015	(3,015)
Net Book Value	
At 1 January 2015 and 31 December 2015	-

The Group owns an investment of 29.33% in the ordinary share capital of Delta Hungary Hydrocarbons Kft, a company registered in Hungary. The investment is considered to be a joint venture due to the contractual relationship with other shareholders which give joint control.

12. Inventories

	Group	
	2015 $000	2014 $000
Raw Materials and Consumables	-	271

13. Trade and Other Receivables

	Group		Company	
	2015 $000	2014 $000	2015 $000	2014 $000
Current				
Trade receivables	639	1,156	-	-
Trade receivables from related parties (note 22)	558	567	-	-
Prepayments	621	3,825	23	28
Loans to related parties (note 22)	-	972	-	-
Other receivables	2,142	1,361	36	41
Other receivables from related parties (note 22)	-	-	104,754	100,905
	3,960	7,881	104,813	100,974

Group

Prepayments include deposits paid in respect of equipment for the exploration and evaluation programme of $nil (2014: $2,949,000).

14. Trade and Other Payables

	Group		Company	
	2015 $000	2014 $000	2015 $000	2014 $000
Current				
Trade payables	1,793	2,659	-	-
Social security and other taxes	162	393	-	-
Accrued expenses	2,257	1,766	102	123
	4,212	4,818	102	123

15. Employee Benefits

Defined Contribution Plans

The Group does not operate any pension plans, but contributes to employee's personal pension schemes. The total expense relating to these schemes in the current year was $228,000 (2014: $242,000).

Company

The Company does not operate or contribute to any pension schemes.

Share-Based Payments - Company

The Company does not operate any share schemes.

16. Provisions

	Group	
Group Decommissioning Provision	2015 $000	2014 $000
At 1 January	5,887	1,406
Provisions made during the year	-	4,481
Provisions used during the year	(230)	-
At 31 December	5,657	5,887
Included In:		
Current liabilities	-	1,200
Non-current liabilities (two to five years)	4,142	-
Non-current liabilities (after five years)	1,515	4,687
	5,657	5,887

Discounting is used to the extent it is material.

17. Capital and Reserves

Reconciliation of Movement In Capital and Reserves - Group

	Issued share capital $000	Merger Reserve $000	Retained losses $000	Total equity $000
Balance at 1 January 2014	192,547	(50,678)	(77,204)	64,665
Total recognised loss for the year	-	-	(11,568)	(11,568)
New shares issued	39	-	-	39
Balance at 31 December 2014	**192,586**	**(50,678)**	**(88,772)**	**53,136**
Balance at 1 January 2015	192,586	(50,678)	(88,772)	53,136
Total recognised loss for the year	-	-	(17,671)	(17,671)
New shares issued	4,062	-	-	4,062
Balance at 31 December 2015	**196,648**	**(50,678)**	**(106,443)**	**39,527**

Reconciliation of Movement In Capital and Reserves - Company

	Issued share capital $000	Merger Reserve $000	Retained losses $000	Total parent equity $000
Balance at 1 January 2014	192,547	(57,228)	(7,855)	127,464
Total recognised loss for the year	-	-	(231)	(231)
New shares issued	39	-	-	39
Balance at 31 December 2014	**192,586**	**(57,228)**	**(8,086)**	**127,272**
Balance at 1 January 2015	192,586	(57,228)	(8,086)	127,272
Total recognised loss for the year	-	-	(202)	(202)
New shares issued	4,062	-	-	4,062
Balance at 31 December 2015	**196,648**	**(57,228)**	**(8,288)**	**131,132**

The merger reserve arose in February 2010, when the shares of Cuadrilla Resources Corporation Limited were exchanged for shares in the Company. Since the share for share exchange did not change the members and their rights, the transfer of ownership was accounted for in accordance with the principles of merger accounting.

18. Capital and Reserves - Issued Share Capital

The issued share capital of the Company at 31 December 2015 is as follows:

Number of Shares (000)	At 31 Dec 2013	Additions	At 31 Dec 2014	Additions	At 31 Dec 2015
Allotted, Called Up and Fully Paid					
Deferred shares of $0.01 each	10	-	10	-	10
Ordinary 'A' shares of $0.01 each	63,137	-	63,137	1,450	64,587
Ordinary 'B' shares of $0.01 each	19,875	-	19,875	-	19,875
Ordinary 'C' shares of $0.01 each	11,320	-	11,320	177	11,497
Ordinary 'D' shares of $0.01 each	-	3,904	3,904	89	3,993
'A' 8% cumulative preference shares of $2.79 each	48,800	-	48,800	1,450	50,250
'B' 0% preference shares of $2.79 each	19,875	-	19,875	-	19,875
	163,017	3,904	166,921	3,166	170,087

Issued Share Capital	At 31 Dec 2013 $000	Additions $000	At 31 Dec 2014 $000	Additions $000	At 31 Dec 2015 $000
Allotted, Called Up and Fully Paid					
Deferred shares of $0.01 each	-	-	-	-	-
Ordinary 'A' shares of $0.01 each	631	-	631	15	646
Ordinary 'B' shares of $0.01 each	199	-	199	-	199
Ordinary 'C' shares of $0.01 each	113	-	113	2	115
Ordinary 'D' shares of $0.01 each	-	39	39	1	40
'A' 8% cumulative preference shares of $2.79 each	136,154	-	136,154	4,044	140,198
'B' 0% preference shares of $2.79 each	55,450	-	55,450	-	55,450
	192,547	39	192,586	4,062	196,648

The terms of the shares in issue are as follows:

- The holders of ordinary 'A' and 'B' 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.
- The holders of the deferred shares and the ordinary 'C' and 'D' shares have restricted voting and distribution rights.
- The holders of 'A' preference shares are entitled to receive cumulative dividends when, as and if declared by the Board of Directors and are not entitled to vote at meetings of the Company. The holders of 'B' preference shares are not entitled receive dividends or to vote at meetings of the Company.

No shares are classified as liabilities and all shares are classified as shareholders' funds.

2015 Share Transactions
During November 2015, the Company issued share capital of $4,062,000 to existing shareholders. The Company issued 1,450,000 'A' ordinary shares of $0.01 each, 1,450,000 'A' preference shares of $2.79 each, 177,282 'C' ordinary shares of $0.01 each and 88,641 'D' ordinary shares of $0.01 each. All shares were issued at par value to existing shareholders for cash.

2014 Share Transactions
During April 2014, the Company issued 3,904,153 'D' ordinary shares of $0.01 each to the Cuadrilla Resources Employee Benefit Trust.

Post Balance Sheet Share Transactions
During 2016, the Company has carried out three funding rounds and issued total share capital of $5,561,000 to existing shareholders. The Company issued 1,986,000 'A' ordinary shares of $2.79 each, 1,986,000 'A' preference shares of $2.79 each, 242,724 'C' Ordinary shares of $0.01 each and 121,362 'D' ordinary shares of $0.01 each. All shares were issued at par value for cash.

19. Financial Instruments

19a. Fair Values 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.

Cash
Cash represents bank balances and the fair value of cash is estimated as its carrying amount where the cash is repayable on demand.

Fair Values
The fair values of financial assets and financial liabilities are considered to be the same as the carrying amounts for both the Company and the Group.

19b. Credit Risk

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

Exposure to Credit Risk - Group
The maximum exposure to credit risk for trade receivables at the balance sheet date was $1,197,000 (2014:$1,723,000). The trade receivables are not overdue for payment and therefore the Group has no significant exposure to credit risk at 31 December 2015.

Exposure to Credit Risk - Company
The Company has no significant exposure to external credit risk at 31 December 2015 as the most significant receivables balances are due from subsidiaries.

19c. Liquidity Risk

Financial Risk Management
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Group

The Group prepares cash flow information on a regular basis which is reviewed by directors and senior management to ensure that as far as possible it will have sufficient liquidity to meet its liabilities when due.

Contractually, all liabilities at 31 December 2015 fall due for payment within one year. 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.

Company

As a holding company the Company has no significant exposure to liquidity risk.

19d. 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 Group's income or the value of its holdings of financial instruments.

Exposure to currency, interest rate and credit risks arise in the normal course of the Groups and Company's business.

Foreign Currency Risk
The Company and Group's exposure to foreign currency risk is not considered to be significant.

Market Risk - Interest Rate Risk

The Company and the Group do not have any interest bearing borrowings and so interest rate risk is not considered to be significant.

19e. Capital Management

Group

The Group meets its day to day working capital requirements and medium term funding requirements through shareholder cash injections. The Group prepares cash flow information on a regular basis which is reviewed by directors and senior management to ensure that as far as possible it will have sufficient liquidity to meet its liabilities when due.

Company

As a holding company, the Company does not have significant day to day working capital requirements. Any funding requirements identified are met by group companies.

20. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2015 $000	2014 $000
Less than one year	268	433
Between one and five years	274	256
Over five years	41	79
	583	768

The Group leases vehicles, land and buildings under a number of operating leases. During the year $663,000 was recognised as an expense in the income statement in respect of these operating leases (2014: $847,000).

Company

The Company has no operating leases.

21. Commitments

Capital Commitments

The Group and Company have no capital commitments at 31 December 2015 (2014: none).

22. Related Parties

Group

Key Management Loans

The Group has advanced loans to key management of $nil (2014: $972,000) to enable them to participate in the equity of the company. These loans are interest free.

Joint Licence Operating Agreements - AJ Lucas Group Limited

The Group has shared interests in a number of licence areas with joint operating partners which are subsidiaries of AJ Lucas Group Limited (see note 23). Requests to partners for funding the exploration programme are made in accordance with joint operating agreements. These contributions are recognised as a credit to exploration and evaluation assets where appropriate to ensure that costs capitalised reflect the Group's interest only. During the year ended 31 December 2015, the following transactions have taken place with AJ Lucas Group Limited in respect of joint operating agreements as follows:

	Contributions to exploration and evaluation assets		Recharge of operating costs		Receivables outstanding	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
AJ Lucas Group	-	-	762	168	558	567

Cash calls not yet invoiced amount to $nil (2014: $nil).
Subsequent to the year end, all receivables outstanding have been received.

Company

Other Related Party Transactions	Administrative expenses incurred from	
	2015 $000	2014 $000
Shareholder fees - AJ Lucas Group Limited	150	150
Shareholder fees - Riverstone Holdings LLC	150	150
	300	300

Subsidiaries	Receivables outstanding	
	2015 $000	2014 $000
Cuadrilla Resources Limited	104,754	100,905

The intercompany account with the subsidiary bears no interest and is repayable on demand.

23. Ultimate Parent Company and Parent Company of Larger Group

The directors do not consider there to be an ultimate controlling party of Cuadrilla Resources Holdings Limited as it is jointly controlled by its shareholders:

- Lucas Cuadrilla PTY Limited, a company incorporated in Australia (45%)
- Riverstone/Carlyle Global Energy and Power Fund IV (Cayman) LP, registered in the Cayman Islands (45%); and
- Management team and employees (10%).

No other group financial statements include the results of the Company.

COMPANY INFORMATION

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