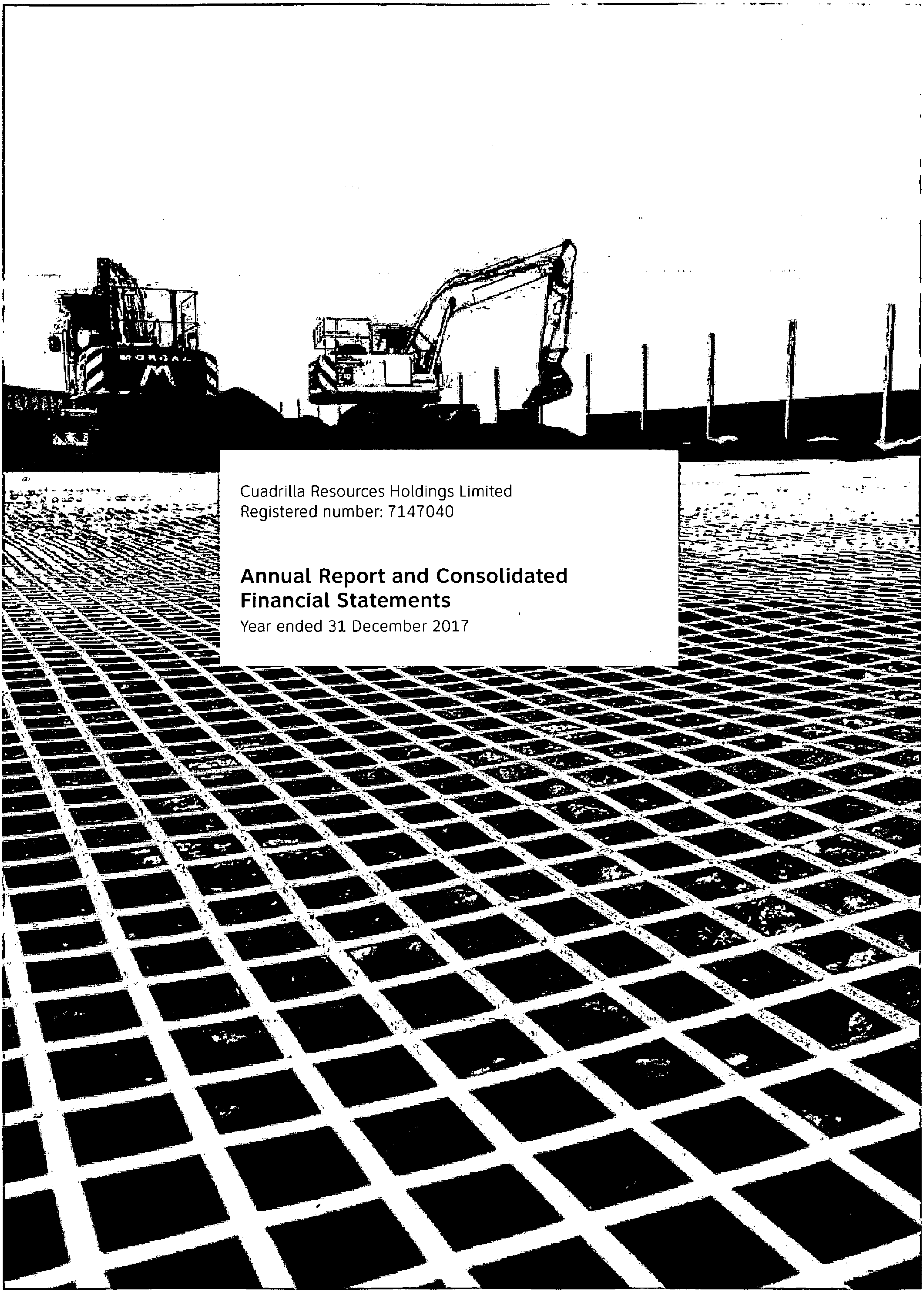
Cuadrilla

Annual Report & Accounts 2017



Cuadrilla Resources Holdings Limited
Registered number: 7147040

Annual Report and Consolidated Financial Statements

Year ended 31 December 2017

Contents

Chief Executive Officer's Review

Welcome to Cuadrilla's Annual Financial Statements for 2017.

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

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

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

Communication and engagement with the local community remains a priority for us and we run a monthly Community Liaison Group with representatives from the local area near PNR to ensure they are kept updated on our progress. We also conduct regular site tours for local interested parties and we launched PNR Live in 2017. The latter initiative is a first for the shale industry, whereby live streamed site visits, with live Q&A, are run online so that a wider audience can see what is happening on site. Thousands of locals watch this regularly.

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

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

In addition to our commitments to the County, we are privileged to work alongside fantastic local partners including the Community Foundation for Lancashire who are setting up arrangements with local residents to spend the first £100,000 of community benefits from our first exploration well at PNR. We have also had a great response in relation to the community payment of £100,000 that Cuadrilla is making for the second exploration well. Over 85% of those local residents entitled to direct payments, which was the option voted for via an independently run survey, applied and have received payments.

Unfortunately we have also seen a relatively small minority, largely from outside Lancashire, protesting unlawfully. Whilst minimal impact has been caused to our own operations, we know that many local people and small businesses have been inconvenienced by protestors illegally causing roads to be closed. We continue to co-operate fully with Lancashire Police Force to ensure everyone's safety is maintained and people can travel and work freely. I applaud the Police's professionalism in both dealing with these irresponsible and illegal protests and in ensuring that the rights to legal protest and to carry out legally approved work are upheld.

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

Outside of Lancashire we announced earlier this year that Cuadrilla Balcombe Ltd and Lucas Bolney Ltd have agreed a new joint venture partnership with Angus Energy plc, a UK oil and gas exploration, production and development company. Angus Energy has joined the existing Cuadrilla / Lucas partnership through the acquisition of a 25.0% interest in UK onshore licence PEDL244 which includes the entire Balcombe Field discovery in West Sussex. The UK's Oil and Gas Authority has given consent for Angus Energy to assume operatorship and on behalf of the joint venture Angus Energy, will, in due course, commence the approved well test program of the existing horizontal well at the Lower Stumble site. Cuadrilla successfully, with a unanimous vote from West Sussex County Councils Planning Committee, had planning permission granted again for this work in January this year.

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

We have made very significant progress on shale gas exploration in 2017 and are delighted to be in prime position to be the first operator to deliver gas flow results from horizontal wells drilled into UK shale rock. The need for natural gas continues to grow and has recently dominated the headlines. In the UK we had a long winter, primarily due to "The "Beast from the East" cold weather, which resulted in demand for gas hitting a six year high, an unprecedented gas price spike and the National Grid issuing a gas deficit warning. There have also been issues with foreign pipelines which the UK has to rely on to import over 50% of our gas. We, alongside people in Lancashire, feel proud we are leading an industry which in the future could ensure better security of gas supply for the 80% of people in the UK who rely on it.

Francis Egan
Chief Executive Officer
23 May 2018

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

Cuadrilla is a privately owned British exploration group of companies, focused on discovering and recovering natural resources, primarily natural gas from shale rock. Cuadrilla currently has onshore exploration licences in the North and South of the UK. The headquarters are in Bamber Bridge, Lancashire where the majority of our workforce are based.

Cuadrilla remains debt free and is financed by its shareholders. As at 31 December 2017, the Company was jointly owned and controlled by its shareholders as follows:

- AJ Lucas, an Australian specialist service provider to the energy, mining and infrastructure sector (47%)
- Riverstone Holdings, a private equity investor (45%); and
- Cuadrilla employees and former employees (8%)

As at 31 December 2017, the Group has net assets of $43.0m (2016: $35.6m) and the result for the year is a profit of $5.5m (2016: loss $11.5m).

In 2013, Centrica plc farmed-in to take a 25% share of the Bowland licence and consideration included a carry arrangement. During 2017, the Group has benefited from Centrica carry contributions totalling $16.9m of which $13.7m related to Cuadrilla's share of capital related project costs. The contribution to capital costs of $13.7m is included in income for the year and has been capitalised as an addition to exploration and evaluation assets on the balance sheet.

Post balance sheet event

On 21 January 2018, Angus Energy plc became a 25% investment partner in the PEDL 244 Balcombe exploration licence. Angus Energy has paid £4 million in cash of which Cuadrilla's share is £3m. As part of the agreement, Angus Energy will also pay the costs of the well test program.

The UK's Oil and Gas Authority has given consent for the transfer of operatorship from Cuadrilla to Angus Energy. The ownership of the Balcombe licence before and after the transaction is summarised as below:

Owner	Ownership before transaction	Ownership after transaction
	%	%
Cuadrilla	75.00	56.25
A J Lucas	25.00	18.75
Angus	-	25.00
	100.00	**100.00**

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.	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.	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.
Financial Risk Cuadrilla has joint operating agreements for certain licences and this exposes the Group to funding risk. The Group is also exposed to capital risk as it has no material revenues and is 100% equity financed.	Funding risk is mitigated by arranging funding and partnering with globally accomplished operating partners. 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.

RKHenworth

Rebecca Henworth
Company Secretary
23 May 2018

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.

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

The Audit Committee comprises Alfredo Marti (as Chairman) and Phil Arnall, both of whom are non-executive directors. Francis Egan (CEO), Jill Overland (Head of Finance) and Rebecca Henworth (Company Secretary) are also in attendance at all meetings.

Audit Committee meetings are held at least twice a year. The external auditors are invited to attend the meetings and to hold sessions with the Committee without the presence of management as required.

The Committee's duties and responsibilities include:

- To monitor, review and challenge the integrity of the Group's financial statements before submission to the Board for approval. Particular attention is given to critical accounting policies and any decisions requiring judgement.
- To review the effectiveness of Cuadrilla's internal control and risk management framework.
- To consider and assess the external auditor's independence, objectivity and any non-audit services provided.
- To review with the auditors the findings of their work.

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 management system;
- implementation of a business controls framework which gives an overview of policies, standards and/or other guidance documents across all discipline areas;
- 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;
- monthly executive management team meetings to review HSE, operating performance and financial activities;
- recruitment of appropriately experienced and qualified staff to key management positions.

UK 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
23 May 2018

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 2017.

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, and services related thereto.

Directors

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

Non-Executive Directors

Roy Franklin	Chairman of the Board, AJ Lucas representative
Phillip Arnall	AJ Lucas representative
Ivor Orchard	AJ Lucas representative
Robin Duggan	Riverstone representative
N John Lancaster Jr	Riverstone representative
Alfredo Marti	Riverstone representative

Executive Directors

Francis Egan	Chief Executive Officer	
Mark Lappin	Technical Director	(appointed 8 May 2017)
Andrew Quarles van Ufford	Technical Director	(resigned 5 May 2017)

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 $130,000 during the year (2016:$74,000). 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 18.

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

R K Henworth

Rebecca Henworth
Company Secretary
23 May 2018

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

Statement of Directors' Responsibilities in Respect of The Annual Report and the Financial Statements

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 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP
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Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent Auditor's Report to the Members of Cuadrilla Resources Holdings Limited

Opinion

We have audited the financial statements of Cuadrilla Resources Holdings Limited ("the company") for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, group and company balance sheets, consolidated statement of changes in equity, consolidated cash flow and related notes, including the accounting policies in note 1.
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

Basis for Opinion

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

Going Concern

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

Strategic Report and Directors' Report

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

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

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

KPMG

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

We have nothing to report in these respects.

Directors' Responsibilities

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

Auditor's Responsibilities

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

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

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

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

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

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2017

	Note	2017 $000	2016 $000
Revenue	1,2	23	12
Cost of sales		-	-
Gross profit		**23**	12
Operating expenses		**(3,816)**	(6,668)
Administrative expenses		**(4,652)**	(5,037)
Contribution of carried costs	9	**13,683**	-
Operating profit/(loss)	1,3	**5,238**	(11,693)
Financial income	6	**1**	-
Profit/(loss) before tax		**5,239**	(11,693)
Taxation	7	**218**	151
Profit/(loss) for the year, being total comprehensive income/(expense) for the year		**5,457**	(11,542)

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 2017

	Note	Group		Company	
		2017 $000	2016 $000	2017 $000	2016 $000
Non-Current Assets					
Property, plant and equipment	8	**7,452**	10,170	**-**	-
Intangible assets	9	**43,075**	28,270	**-**	-
Investments in subsidiaries	10a	**-**	-	**26,421**	26,421
		50,527	38,440	**26,421**	26,421
Current Assets					
Inventories	11	**-**	2	**-**	-
Trade and other receivables	12	**7,067**	3,419	**114,102**	112,289
Cash at bank		**8,466**	2,652	**-**	-
		15,533	6,073	**114,102**	112,289
Total Assets		**66,060**	44,513	**140,523**	138,710
Current Liabilities					
Trade and other payables	13	**(16,298)**	(3,303)	**(231)**	(227)
Provisions	15	**(1,496)**	(3,527)	**-**	-
		(17,794)	(6,830)	**(231)**	(227)
Non-Current Liabilities					
Provisions	15	**(5,253)**	(2,130)	**-**	-
Total Liabilities		**(23,047)**	(8,960)	**(231)**	(227)
Net Assets		**43,013**	35,553	**140,292**	138,483
Equity Attributable to Equity Holders of the Parent					
Share capital	16	**206,219**	204,216	**206,219**	204,216
Merger reserve	16	**(50,678)**	(50,678)	**(57,228)**	(57,228)
Retained losses	16	**(112,528)**	(117,985)	**(8,699)**	(8,505)
Total Equity		**43,013**	35,553	**140,292**	138,483

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

Francis Egan
Director
Company registered number: 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 2017

	Issued share capital $000	Merger reserve $000	Retained losses $000	Total equity $000
Balance at 1 January 2016	196,648	(50,678)	(106,443)	39,527
Total comprehensive expense for the year	-	-	(11,542)	(11,542)
New shares issued	7,568	-	-	7,568
Balance at 31 December 2016	**204,216**	**(50,678)**	**(117,985)**	**35,553**
Balance at 1 January 2017	204,216	(50,678)	(117,985)	35,553
Total comprehensive income for the year	-	-	5,457	5,457
New shares issued	2,003	-	-	2,003
Balance at 31 December 2017	**206,219**	**(50,678)**	**(112,528)**	**43,013**

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 2017

	Group	
	2017 $000	2016 $000
Cash Flows From Operating Activities		
Operating profit/(loss) for the year	**5,238**	(11,693)
Adjustments for:		
Profit on sale of tangible fixed assets	**-**	(5)
Depreciation and amortisation	**2,785**	4,292
Foreign exchange (gains)/losses	**(375)**	215
(Increase)/decrease in trade and other receivables	**(3,581)**	692
Decrease/(increase) in inventories	**2**	(2)
Increase/(decrease) in trade and other payables	**12,995**	(909)
	17,064	(7,410)
Tax received	**151**	-
Interest received	**1**	-
Net Cash Inflow/(Outflow) from Operating Activities	**17,216**	(7,410)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	**-**	123
Acquisition of property, plant and equipment	**-**	(150)
Capitalised exploration expenditure	**(13,681)**	(48)
Acquisition of other intangible assets	**(99)**	(112)
Net Cash Outflow from Investing Activities	**(13,780)**	(187)
Cash Flows From Financing Activities		
Proceeds from the issue of share capital	**2,003**	7,568
Net Cash Inflow From Financing Activities	**2,003**	7,568
Net increase/(decrease) in cash	**5,439**	(29)
Cash at 1 January	**2,652**	2,896
Effect of exchange rate fluctuations on cash held	**375**	(215)
Cash at 31 December	**8,466**	2,652

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.

Accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The principal accounting estimates, assumptions and judgements employed in the preparation of these consolidated group financial statements which could affect the carrying amounts of assets and liabilities at the balance sheet dates are as follows:

Judgements

- Carrying value and useful economic life of other intangible assets
- Revenue recognition of new revenue streams
- Determining which evaluation and exploration activities meet capitalisation criteria

Estimates

Recoverable value of Exploration and Evaluation intangible assets

Exploration and evaluation costs are capitalised in accordance with IFRS 6 and are evaluated for impairment. Impairment reviews, where required, involve relevant estimates and assumptions of recoverable reserves, production profiles, land agreements, conditions of planning permissions, expected gas prices, applicable taxes and other matters. Where the final outcome or revised estimates differ from estimates used in earlier impairment reviews, the results of those differences, to the extent that they actually affect impairment provisions, are accounted for when such revisions are made. Details of the Group's intangible exploration and evaluation assets are disclosed in note 9.

Deferred tax asset recognition

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies. Details of the Group's deferred tax position, including the losses that are not recognised due to uncertainty of future utilisation are given in note 7.

Decommissioning provisions

The estimated costs of decommissioning facilities at the end of field life are based on forecast prices at the balance sheet date. Details of the Group's decommissioning provisions are disclosed in note 15.

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.

1. Accounting Policies Continued

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 joint control commences until the date that 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.

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.

Carried interests

Where the Group has entered into carried interest agreements in exploration and evaluation projects and the Group's interest is being carried by a third party, the Group records carried costs as exploration and evaluation assets and income as appropriate once the entitlement to receive the carry proceeds becomes non-cancellable.

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.

1. Accounting Policies Continued

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.

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.

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 and 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, the United Kingdom.

Revenue from external customers arises from the following:

	Group	
	2017 $000	2016 $000
Services for the exploration and appraisal of oil and gas assets	**23**	12

3. Expenses and Auditor's Remuneration

Included in operating profit are the following:

	Group	
	2017 $000	2016 $000
Depreciation of tangible fixed assets	**2,718**	2,712
Impairment of exploration and evaluation intangible assets	**-**	1,500
Profit on disposal of tangible fixed assets	**-**	(5)
Operating lease charges – land and buildings	**594**	375
Operating lease charges – motor vehicles	**23**	16
Operating lease charges – equipment	**38**	-
Foreign exchange (gains)/losses	**(375)**	215

Auditor's Remuneration:

	Group	
	2017 $000	2016 $000
Audit of the parent company and consolidated financial statements	**35**	35
Amounts Receivable By Auditor and its Associates in Respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**44**	37
Other services	**24**	-

4. Staff Numbers and Costs

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

	Number of employees	
	Group	
	2017 $000	2016 $000
Management and Operational Support	**24**	23

The aggregate payroll costs of these persons were as follows:

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

Company

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

5. Directors' Remuneration

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

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

Company contributions to directors' money purchase pension plans total $13,000 (2016: $33,000). No retirement benefits are accruing to directors under defined benefit schemes (2016: none).

None of the directors hold any share options in the Company.

6. Finance Income

Recognised in loss before tax.

	2017 $000	2016 $000
Finance Income		
Interest Income On Cash Balances	**1**	0

7. Taxation

Recognised In the Income Statement

	2017 $000	2016 $000
Current tax income	218	151
Deferred tax expense	-	-
Total Tax Income	218	151

Reconciliation of Effective Tax Rate

	2017 $000	2016 $000
Profit/(loss) before tax for the year	5,239	(11,693)
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	(1,009)	2,339
Effect of ring fence trades tax rate of 40%	(1,770)	1,242
Effect of tax rates in foreign jurisdictions	1	(15)
Depreciation in excess of capital allowances for which no deferred tax asset is recognised	(523)	(541)
Non-taxable income	5,473	-
Non-deductible expenses	(46)	(384)
Current year losses and pre-trading expenditure for which no deferred tax asset is recognised	(1,908)	(2,490)
Total Tax Income	218	151

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

The ring fence corporation tax rate applicable for the period of 40% comprises the main rate of corporation tax on ring fence profits of 30% and an additional supplementary charge of 10%. A new onshore allowance may also be available to reduce the supplementary charge and this will reduce the group's tax charge accordingly.

No provision for tax has been made as the Group has estimated accumulated tax losses and pre-trading expenditure of $59,599,000 (2016:$54,047,000) 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 $4,286,000 (2016:$3,318,000).

8. Property, Plant and Equipment - Group

	Gas production assets $000	Plant and equipment $000	Fixtures & fittings $000	Motor vehicles $000	Under construction $000	Total $000
Cost						
Balance at 1 January 2016	648	27,687	70	27	-	28,432
Additions	-	-	-	-	150	150
Disposals	-	(290)	-	(27)	-	(317)
Balance at 31 December 2016	648	27,397	70	-	150	28,265
Balance at 1 January 2017 and 31 December 2017	648	27,397	70	-	150	28,265
Depreciation, Depletion and Impairment						
Balance at 1 January 2016	(648)	(14,862)	(45)	(27)	-	(15,582)
Depreciation charge for the year	-	(2,697)	(15)	-	-	(2,712)
Disposals	-	172	-	27	-	199
Balance at 31 December 2016	(648)	(17,387)	(60)	-	-	(18,095)
Balance at 1 January 2017	(648)	(17,387)	(60)	-	-	(18,095)
Depreciation charge for the year	-	(2,709)	(9)	-	-	(2,718)
Balance at 31 December 2017	(648)	(20,096)	(69)	-	-	(20,813)
Net Book Value						
At 1 January 2016	-	12,825	25	-	-	12,850
At 31 December 2016 and 1 January 2017	-	10,010	10	-	150	10,170
At 31 December 2017	**-**	**7,301**	**1**	**-**	**150**	**7,452**

Company

The Company has no property, plant and equipment.

9. Intangible Assets - Group

	Exploration & evaluation costs $000	Software $000	Total $000
Cost			
Balance at 1 January 2016	29,535	322	29,857
Additions	48	112	160
Balance at 31 December 2016	29,583	434	30,017
Balance at 1 January 2017	29,583	434	30,017
Increase in decommissioning provision	1,092	-	1,092
Additions	13,683	99	13,782
Disposals	(1,502)	-	(1,502)
Balance at 31 December 2017	42,856	533	43,389
Amortisation			
Balance at 1 January 2016	-	(167)	(167)
Impairment	(1,500)	-	(1,500)
Amortisation for the year	-	(80)	(80)
Balance at 31 December 2016	(1,500)	(247)	(1,747)
Balance at 1 January 2017	(1,500)	(247)	(1,747)
Amortisation for the year	-	(67)	(67)
Disposals	1,500	-	1,500
Balance at 31 December 2017	-	(314)	(314)
Net Book Value			
At 1 January 2016	29,535	155	29,690
At 31 December 2016 and 1 January 2017	28,083	187	28,270
At 31 December 2017	**42,856**	**219**	**43,075**

Additions of $13,683,000 to Exploration and Evaluation assets relate to the PEDL165 Bowland licence and represent Cuadrilla's share of capital costs for drilling activities at the Preston New Road site in 2017. These costs have been met by Centrica under a carry arrangement relating to Centrica's farm-in to the Bowland licence in 2013. The corresponding contribution has been recognised in the income statement..

Company

The Company has no intangible assets.

10a. Investments In Subsidiaries

Company

Shares in group undertakings

	2017 $000
At 1 January 2017 and 31 December 2017	**26,421**

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

The details of investments in subsidiaries, the ordinary share capital of all being 100% held, are as follows:

	Country of Incorporation	Nature of business	Registered office
Subsidiaries held by the Company:			
Cuadrilla Resources Limited	England	Management services to subsidiaries	Cuadrilla House, Sceptre Court, Bamber Bridge, Lancs PR5 6AW
Subsidiaries held through Cuadrilla Resources Limited:			
Cuadrilla Bowland Limited	England	Oil and gas exploration	Cuadrilla House, Sceptre Court, Bamber Bridge, Lancs PR5 6AW
Cuadrilla Elswick Limited	England	Oil and gas exploration	Cuadrilla House, Sceptre Court, Bamber Bridge, Lancs PR5 6AW
Cuadrilla Balcombe Limited	England	Oil and gas exploration	Cuadrilla House, Sceptre Court, Bamber Bridge, Lancs PR5 6AW
Cuadrilla Weald Limited	England	Oil and gas exploration	Cuadrilla House, Sceptre Court, Bamber Bridge, Lancs PR5 6AW
Cuadrilla Elswick (No.2) Limited	England	Oil and gas exploration	Cuadrilla House, Sceptre Court, Bamber Bridge, Lancs PR5 6AW
Cuadrilla North Cleveland Limited	England	Oil and gas exploration	Cuadrilla House, Sceptre Court, Bamber Bridge, Lancs PR5 6AW
Cuadrilla South Cleveland Limited	England	Oil and gas exploration	Cuadrilla House, Sceptre Court, Bamber Bridge, Lancs PR5 6AW
Cuadrilla Gainsborough Limited	England	Oil and gas exploration	Cuadrilla House, Sceptre Court, Bamber Bridge, Lancs PR5 6AW
Cuadrilla Hardenberg BV	Netherlands	Oil and gas exploration	Dorpsstraat 20, 5296 L V Esch, The Netherlands
Cuadrilla Brabant BV	Netherlands	Oil and gas exploration	Dorpsstraat 20, 5296 L V Esch, The Netherlands
Cuadrilla Poland Sp.Zo.o*	Poland	Oil and gas exploration	03-335 Warszawa, ul. Syrokmli 5C, Poland
Cuadrilla Well Services Limited	England	Services for oil and gas exploration	Cuadrilla House, Sceptre Court, Bamber Bridge, Lancs PR5 6AW
Cuadrilla Hungary Limited	England	Investment holding	Cuadrilla House, Sceptre Court, Bamber Bridge, Lancs PR5 6AW

*Liquidated subsequent to the year end

10b. Investments In Jointly Controlled Entities

Group

	$000
Cost	
Balance at 1 January 2017 and 31 December 2017	**3,015**
Provision	
Balance at 1 January 2017 and 31 December 2017	**(3,015)**
Net Book Value	
At 1 January 2017 and 31 December 2017	**-**

As at the year end, the Group held an investment of 29.33% in the ordinary share capital of Delta Hungary Hydrocarbons Kft, a company registered in Hungary. The Group's share of the costs of operating the joint venture of $2,000 are included within operating costs (2016: $78,000). Subsequent to the year end, the investment has been sold for nominal consideration of €2,000.

11. Inventories

	Group	
	2017 $000	2016 $000
Raw Materials and Consumables	-	2

12. Trade and Other Receivables

	Group		Company	
	2017 $000	2016 $000	2017 $000	2016 $000
Current				
Trade receivables	**2,783**	611	**-**	-
Trade receivables from related parties (note 21)	**1,769**	437	**-**	-
Prepayments	**462**	405	**16**	10
Other receivables	**2,053**	1,966	**26**	22
Other receivables from related parties (note 21)	**-**	-	**114,060**	112,257
	7,067	3,419	**114,102**	112,289

13. Trade and Other Payables

	Group		Company	
	2017 $000	2016 $000	2017 $000	2016 $000
Current				
Trade payables	**5,184**	1,239	**-**	-
Social security and other taxes	**102**	120	**-**	-
Accrued expenses	**3,866**	1,594	**231**	227
Deferred income	**7,146**	350	**-**	-
	16,298	3,303	**231**	227

14. 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 $173,000 (2016: $195,000).

Company

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

Share-Based Payments - Company

The Company does not operate any share option schemes.

15. Provisions

Group Decommissioning Provision	Group	
	2017 $000	2016 $000
At 1 January	**5,657**	5,657
Provisions made during the year	**1,092**	-
At 31 December	**6,749**	5,657
Included In:		
Current liabilities	**1,496**	3,527
Non-current liabilities (two to five years)	**3,015**	615
Non-current liabilities (after five years)	**2,238**	1,515
	6,749	5,657

Provision has been made for the future cost for the removal of facilities and site restoration to a condition acceptable to the relevant authorities. These provisions are based on the Group's internal estimate as at 31 December 2017. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. The estimates are reviewed regularly to take into account any material changes to the assumptions. Actual decommissioning costs will ultimately depend upon future costs for decommissioning which will reflect market conditions and regulations at that time. Discounting is used to the extent it is material.

16. 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 2016	196,648	(50,678)	(106,443)	39,527
Total recognised loss for the year	-	-	(11,542)	(11,542)
New shares issued	7,568	-	-	7,568
Balance at 31 December 2016	**204,216**	**(50,678)**	**(117,985)**	**35,553**
Balance at 1 January 2017	204,216	(50,678)	(117,985)	35,553
Total recognised income for the year	-	-	5,457	5,457
New shares issued	2,003	-	-	2,003
Balance at 31 December 2017	**206,219**	**(50,678)**	**(112,528)**	**43,013**

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 2016	196,648	(57,228)	(8,288)	131,132
Total recognised loss for the year	-	-	(217)	(217)
New shares issued	7,568	-	-	7,568
Balance at 31 December 2016	**204,216**	**(57,228)**	**(8,505)**	**138,483**
Balance at 1 January 2017	204,216	(57,228)	(8,505)	138,483
Total recognised loss for the year	-	-	(194)	(194)
New shares issued	2,003	-	-	2,003
Balance at 31 December 2017	**206,219**	**(57,228)**	**(8,699)**	**140,292**

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.

17. Capital and Reserves - Issued Share Capital

The issued share capital of the Company at 31 December 2017 is as follows:

Number of Shares (000)	At 1 Jan 2016	Additions	At 31 Dec 2016	Additions	At 31 Dec 2017
Allotted, Called Up and Fully Paid					
Deferred shares of $0.01 each	10	-	**10**	-	**10**
Ordinary 'A' shares of $0.01 each	64,587	2,701	**67,288**	**715**	**68,003**
Ordinary 'B' shares of $0.01 each	19,875	-	**19,875**	-	**19,875**
Ordinary 'C' shares of $0.01 each	11,497	330	**11,827**	**87**	**11,914**
Ordinary 'D' shares of $0.01 each	3,993	165	**4,158**	**44**	**4,202**
'A' 8% cumulative preference shares of $2.79 each	50,250	2,701	**52,951**	**715**	**53,666**
'B' 0% preference shares of $2.79 each	19,875	-	**19,875**	-	**19,875**
	170,087	5,897	**175,984**	**1,561**	**177,545**

Issued Share Capital	At 1 Jan 2016 $000	Additions $000	At 31 Dec 2016 $000	Additions $000	At 31 Dec 2017 $000
Allotted, Called Up and Fully Paid					
Deferred shares of $0.01 each	-	-	-	-	-
Ordinary 'A' shares of $0.01 each	646	27	**673**	**7**	**680**
Ordinary 'B' shares of $0.01 each	199	-	**199**	-	**199**
Ordinary 'C' shares of $0.01 each	115	3	**118**	**1**	**119**
Ordinary 'D' shares of $0.01 each	40	2	**42**	-	**42**
'A' 8% cumulative preference shares of $2.79 each	140,198	7,536	**147,734**	**1,995**	**149,729**
'B' 0% preference shares of $2.79 each	55,450	-	**55,450**	-	**55,450**
	196,648	7,568	**204,216**	**2,003**	**206,219**

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 only 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. There is no contractual requirement for the Company to deliver cash or financial assets either in the ordinary course of business or otherwise. As a result both classes of shares are classified as equity in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

The legal ownership of the 'C' and 'D' ordinary shares is held by the Cuadrilla Resources Employee Share Ownership Plan Trust and the beneficial ownership of these shares are allocated to Cuadrilla employees only. In all cases, the beneficial interests in these shares are purchased by employees at par value, which is considered to be the fair value. As at 31 December 2017, the Trust held a total of $26,000 of unallocated 'C' and 'D' shares (being 2,633,782 shares of $0.01 each). The beneficial ownership of these shares will be allocated to employees in future periods.

2016 Share Transactions
During 2016 the Company has carried out four funding rounds and issued total share capital of $7,568,000 to existing shareholders. The Company issued 2,701,000 'A' ordinary shares of $0.01 each, 2,701,000 'A' preference shares of $2.79 each, 330,237 'C' ordinary shares of $0.01 each and 165,119'D' ordinary shares of $0.01 each. All shares were issued at par value to existing shareholders for cash.

2017 share transactions
During April and May 2017, the Company issued share capital totalling $2,003,000 to existing shareholders. The Company issued 715,000 'A' ordinary shares of $0.01 each, 715,000 'A' preference shares of $2.79 each, 87,418 'C' ordinary shares of $0.01 each and 43,709 'D' ordinary shares of $0.01 each. All shares were issued at par value to existing shareholders for cash.

18. Financial Instruments

(a) 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.

(b) 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 $4,552,000 (2016:$1,048,000). The trade receivables are not overdue for payment and therefore the Group has no significant exposure to credit risk at 31 December 2017.

Exposure to Credit Risk - Company
The Company has no significant exposure to external credit risk at 31 December 2017 as the most significant receivables balances are due from subsidiaries.

(c) 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 2017 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.

(d) Market Risk

Financial Risk Management
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the 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.

(e) 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.

19. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2017 \$000	**2016 \$000**
Less than one year	**289**	353
Between one and five years	**156**	197
Over five years	**-**	8
	445	558

The Group leases land and buildings, vehicles and other equipment under a number of operating leases. During the year $655,000 was recognised as an expense in the income statement in respect of these operating leases (2016: $391,000).

Company
The Company has no operating leases.

20. Commitments

Capital Commitments
The Group and Company have no capital commitments at 31 December 2017 (2016: none).

21. Related Parties

Group

Key management personnel

The key management personnel are considered to be the directors of the Company. The compensation of the directors is given in note 5. The directors of the Company and their immediate relatives control 0.2% of the voting shares of the Company.

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 2017, 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	
	2017 $000	2016 $000	2017 $000	2016 $000	2017 $000	2016 $000
AJ Lucas Group	**6,342**	-	**2,160**	2,528	**1,769**	437

Subsequent to the year end, all receivables outstanding have been received.

Company

Other Related Party Transactions	Administrative expenses incurred from	
	2017 $000	2016 $000
Shareholder fees - AJ Lucas Group Limited	**150**	150
Shareholder fees - Riverstone Holdings LLC	**150**	150
	300	300

Subsidiaries	Receivables outstanding	
	2017 $000	2016 $000
Cuadrilla Resources Limited	**114,060**	112,257

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

22. Post balance sheet event

On 21 January 2018, Angus Energy plc became a 25% investment partner in the PEDL 244 Balcombe exploration licence. Angus Energy has paid £4 million in cash of which Cuadrilla's share is £3m. As part of the agreement, Angus Energy will also pay the costs of the well test program.

The UK's Oil and Gas Authority has given consent for the transfer of operatorship from Cuadrilla to Angus Energy. The ownership of the Balcombe licence before and after the transaction is summarised as below:

Owner	Ownership before transaction	Ownership after transaction
	%	%
Cuadrilla	75.00	**56.25**
A J Lucas	25.00	**18.75**
Angus	-	**25.00**
	100.00	**100.00**

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 (47%)
- Riverstone/Carlyle Global Energy and Power Fund IV (Cayman) LP, registered in the Cayman Islands (45%); and
- Cuadrilla employees (8%).

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

COMPANY INFORMATION

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