Third Energy Trading Limited

Annual Report and
Financial Statements

for the year ended 31 December 2016

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Company Registration No. 05721316

Third Energy Trading Limited
Contents of the Financial Statements
for the year ended 31 December 2016

Third Energy Trading Limited
Company information
for the year ended 31 December 2016

Directors	R Valand JAG Dewar (resigned 22nd January 2018) A Linn (appointed 22nd January 2018)
Joint Secretary	Pinsent Masons Secretarial Limited P Savage (appointed 22nd January 2018)
Registered office	Knapton Generating Station East Knapton Malton North Yorkshire YO17 8JF
Registered number	05721316
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL

The directors submit their report and the financial statements of Third Energy Trading Limited for the year ended 31 December 2016.

Principal activities

The principal activity of the Company continues to be the generation of electricity at a gas turbine electricity generating station located at Knapton, North Yorkshire.

Review of the business

The Company has taken advantage of the small companies exemption not to prepare a strategic report.

The results for the year are shown on page 6 and are summarised as follows:

	2016	2015
	£'000	£'000
Turnover	1,025	1,534
(Loss) for the financial year	(1,162)	(694)

These results are in line with the directors' expectations.

The directors do not recommend the payment of a dividend.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

The company forms part of an operating model that includes other entities within the Group to which the Company belongs so the Directors review the going concern of the Company as part of a review of the Group as a whole. As such, the directors have reviewed the Group's forecasts for the period to 31st January 2019 which incorporate all firm commitments in accordance with the Group's business plans and which confirm that the Company can rely on the support of its parent company, Third Energy Holdings Limited. The directors believe that, with the continued support of its parent company, the Company can continue as a going concern, and has the necessary funding available to ensure that it continues to trade on the going concern basis, for the reasonably foreseeable future.

Directors

The directors who have held office since 1st January 2016 are set out below:

Mr R Valand	
Mr JAG Dewar	(resigned 22nd January 2018)
Mr DJ Robottom	(resigned 28th March 2017)
Mr A Linn	(appointed 22nd January 2018)

Political contributions
The Company made no political donations and did not incur any political expenditure during the year.

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, as 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

Rasik Valand
Director

25th January 2018
Knapton Generating Station
East Knapton
Malton
North Yorkshire
YO17 8JF

Third Energy Trading Limited

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report to the members of Third Energy Trading Limited

We have audited the financial statements of Third Energy Trading Limited (the Company) for the year ended 31 December 2016 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 Director's Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of the loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

M Smith

Mark Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
29/01/2018

Third Energy Trading Limited
Profit and loss account and Other Comprehensive Income
for the year ended 31 December 2016

	Notes	2016	2015
		£'000	£'000
Turnover	*1*	1,025	1,534
Cost of sales		(1,627)	(1,650)
Gross (loss)		(602)	(116)
Administrative expenses		(422)	(449)
Operating (loss)	*2*	(1,024)	(565)
Interest payable and similar expenses	*3*	(138)	(129)
(Loss) before taxation		(1,162)	(694)
Tax on profit/(loss)	*4*	-	-
(Loss) for the financial year	*11*	(1,162)	(694)
Total comprehensive (loss) for the period		(1,162)	(694)

The result for the year arises from the Company's continuing operations.

The Company has no items of other comprehensive income or expense in the periods being reported upon.

The notes on pages 9 to 15 form part of these financial statements.

Third Energy Trading Limited

Balance Sheet

31 December 2016 Company Registration No. 05721316

	Notes	2016 £'000	2015 £'000
Fixed Assets			
Intangible assets	*5*	-	-
Tangible assets	*6*	540	921
		540	921
Current Assets			
Debtors	*7*	3,662	4,153
Cash at bank and in hand		23	30
		3,685	4,183
Creditors: Amounts falling due within one year	*8*	(1,645)	(1,497)
Net Current Assets		2,040	2,686
Total Assets less Current Liabilities		2,580	3,607
Provisions for liabilities	*9*	(2,574)	(2,439)
Net Assets		6	1,168
Capital and reserves			
Called up share capital	*10*	-	-
Profit and loss account	*11*	6	1,168
Shareholders' funds	*12*	6	1,168

The notes on pages 9 to 15 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 25th January 2018 and are signed on its behalf by:

Rasik Valand
Director

Third Energy Trading Limited

Statement of Changes in Equity

31 December 2016

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	-	1,862	1,862
Loss for the financial year		(694)	(694)
At 31 December 2015	-	1,168	1,168
Loss for the financial year		(1,162)	(1,162)
At 31 December 2016	-	6	6

The notes on pages 9 to 15 form part of these financial statements.

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

Basis of preparation
These financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The company has taken advantage of the exemptions under FRS 102 not to prepare a Cash Flow Statement as the company is included within the consolidated financial statements of Third Energy Holdings Limited.

The smallest and largest group into which the Company is consolidated is Third Energy Holdings Limited. Copies of the accounts of Third Energy Holdings Limited can be obtained from 4th Floor, 87-91 Newman Street, London W1T 3EY.

The Company's ultimate parent undertaking, Third Energy Holdings Limited includes the Company in its consolidated financial statements. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

Measurement convention
The financial statements are prepared on the historical cost basis.

Going concern
The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

The company forms part of an operating model that includes other entities within the Group to which the Company belongs so the Directors review the going concern of the Company as part of a review of the Group as a whole. As such, the directors have reviewed the Group's forecasts for the period to 31st January 2019 which incorporate all firm commitments in accordance with the Group's business plans and which confirm that the Company can rely on the support of its parent company, Third Energy Holdings Limited. The directors believe that, with the continued support of its parent company, the Company can continue as a going concern, and has the necessary funding available to ensure that it continues to trade on the going concern basis, for the reasonably foreseeable future.

As with any company placing reliance on another group company for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The financial statements do not include any adjustments that might apply if this assumption were to prove to be incorrect.

Basic financial instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met are not provided for. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Tangible fixed assets

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

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

The decommissioning asset is stated at an amount equal to the initial provision for decommissioning less accumulated depreciation.

Depreciation is provided so as to write off the costs of the assets to residual values over the assets' useful estimated lives, on the following bases -

Gas collecting equipment	7-10 years	Straight line
Power plant	3 to 15 years	Straight line
Decommissioning asset	10 years	Straight line

Impairment

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units (or "CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or, if it has been integrated, the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provision for decommissioning

A provision for decommissioning costs is recognised in full at the commencement of operations. The amount recognised is the present value of the estimated future expenditure that will be required to decommission the company's assets and bring the land back to the state that existed prior to the assets being built. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to interest expense.

A corresponding tangible fixed asset is created at an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production facilities.

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Turnover

Turnover represents amounts receivable for the Company's electricity generation and income from the provision of facilities to the Company's gas supplier, which is a fellow subsidiary company, at its well sites and pipelines. Turnover is stated net of trade discounts and VAT and is recognised in the month that the electricity is delivered.

1 Turnover

	2016	2015
Turnover is attributable to the following activities:	£'000	£'000
Generation of electricity	997	1,381
Provision of facilities to fellow subsidiary	29	153
	1,025	1,534

Turnover is generated within the United Kingdom.

2 Operating (loss)

	2016	2015
Operating loss is stated after charging/(crediting):	£'000	£'000
Depreciation of tangible assets		
- owned assets	381	527
Auditor's remuneration in respect of the company	8	8
Operating leases - land and buildings	7	7

There were no employees during the year other than the directors (2015: none).

The directors' remuneration is borne by Third Energy Holdings Limited. Given the size of the Group and the interconnected nature of each subsidiary company's activities, the directors do not believe it is practical to apportion the remuneration between their services to this company and their services as directors of the parent company and fellow subsidiary companies. The directors believe that the expense of the directors' remuneration related to this Company would be trivial.

3 Interest payable and similar charges

	2016	2015
	£'000	£'000
Unwinding of discount on decommissioning provision	134	127
Other interest	4	2
	138	129

4 Taxation

	2016	2015
Analysis of charge in the period	£'000	£'000
Current tax - UK corporation tax on profits for the period	-	-
Deferred tax - origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	-	-
Factors affecting tax charge in the period		
(Loss) before taxation	(1,162)	(694)
(Loss) before taxation multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(232)	(141)
Expenses not deductible for tax purposes	-	133
Unrecognised deferred tax on losses	197	8
Difference in tax rate	35	-
Total tax charge	-	-

4 Taxation (continued)

The company has a potential deferred tax asset of £1.8m (2015: £1.8m) consisting of accumulated tax losses of £6.7m, accelerated capital allowances of £1.9m and other timing differences of £2.5m (2015: accumulated tax losses of £4.9m, accelerated capital allowances of £2.8m and other timing differences of £2.2m). This asset has not been recognised under FRS 102, due to uncertainty that the Company will have sufficient taxable profits against which the asset can be utilised in the foreseeable future.

Reductions in the UK corporation tax rate were from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate was substantively enacted on 6 September 2016 to further reduce the tax rate to 17% (to be effective from 1 April 2020). This will reduce the company's future current tax charge accordingly. The deferred tax asset at the balance sheet date has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

5 Intangible fixed assets

	Goodwill
	£
Cost	
At 1 January 2016 and 31 December 2016	4,902
Amortisation	
At 1 January 2016 and 31 December 2016	4,902
Net book value	
At 1 January 2016 and 31 December 2016	-

6 Tangible fixed assets

	Decommiss-ioning asset	Power Plant	Gas Collection Equipment	Land	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2016	1,537	11,280	4,902	193	17,912
Additions	-	-	-	-	-
At 31 December 2016	1,537	11,280	4,902	193	17,912
Depreciation					
At 1 January 2016	1,353	10,862	4,776	-	16,991
Charge for the year	146	109	126	-	381
At 31 December 2016	1,499	10,971	4,902	-	17,372
Net book value					
At 31 December 2016	38	309	-	193	540
At 31 December 2015	184	418	126	193	921

7 Debtors

	2016	2015
	£'000	£'000
Amounts owed by group companies	3,162	3,833
Prepayments and other income	500	320
	3,662	4,153

The amounts owed by group companies are repayable on demand and no interest is charged on outstanding balances.

8 **Creditors:** amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	9	5
Amounts owed to group undertakings	1,175	1,455
Taxation and social security costs	11	9
Accruals and deferred income	450	28
	1,645	1,497

The amounts owed to group companies are repayable on demand and no interest is charged on outstanding balances.

9 Provisions for liabilities

	2016	2015
	£'000	£'000
Decommissioning costs		
At 1 January 2016	2,439	2,312
Addition to provision	-	-
Unwinding of discount to profit and loss account	135	127
At 31 December 2016	2,574	2,439

10 Called up share capital

	2016	2015
Ordinary shares of £1 each	No	No
Authorised	1,000	1,000
	£'000	£'000
Allotted, issued and fully paid	1	1

11 Statement of movement on reserves

	Profit and loss account
	£'000
At 1 January 2016	1,168
(Loss) for the financial year	(1,162)
At 31 December 2016	6

12 Reconciliation of movement in shareholders' funds

	2016	2015
	£'000	£'000
Opening shareholders funds	1,168	1,862
(Loss) for the financial year	(1,162)	(694)
Closing shareholders' funds	6	1,168

13 Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases relating to land and buildings are as follows:

	2016	2015
	£'000	£'000
Within one year	7	7
Within two to five years	29	29
After five years	25	32
	61	68

During the year £7,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £7,000)

14 Guarantees and other financial commitments

The company is a member of a VAT group and the net potential liability under the group registration as of 31 December 2016 was £nil (2015: £nil).

15 Related party transactions

The Company has taken advantage of the exemption under FRS 102.33.1A not to disclose transactions between itself and other wholly owned Group companies.

16 Ultimate parent company

The immediate parent company is Third Energy Onshore Limited.

The smallest and largest group into which the Company is consolidated is Third Energy Holdings Limited. Copies of the accounts of Third Energy Holdings Limited can be obtained from 4th Floor, 87-91 Newman Street, London W1T 3EY.

In the opinion of the directors, the ultimate parent company of Third Energy Holdings Limited is Barclays PLC. There is no ultimate controlling party.