

# Third Energy Trading Limited

Annual Report and  
Financial Statements

for the year ended 31 December 2018



Company Registration No. 05721316

# Third Energy Trading Limited

## Contents of the Financial Statements

for the year ended 31 December 2018

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# Third Energy Trading Limited

## Company information

for the year ended 31 December 2018

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<b>Directors</b>	R Hoare (appointed 9th July 2019) SJ Zablocki (appointed 9th December 2019) AS Linn (appointed 22nd January 2018; resigned 9th December 2019)) R Valand (resigned 9th July 2019) JAG Dewar (resigned 22nd January 2018)
<b>Secretary</b>	P Savage (appointed 22nd January 2018) Pinsent Masons Secretarial Limited (resigned 9th July 2019)
<b>Registered office</b>	Knapton Generating Station East Knapton Malton North Yorkshire YO17 8JF
<b>Registered number</b>	05721316 ~
<b>Independent auditor</b>	Mazars LLP 5th Floor 3 Wellington Place Leeds LS1 4AP

# Third Energy Trading Limited

## Directors' report

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The directors submit their report and the financial statements of Third Energy Trading Limited for the year ended 31 December 2018.

### 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 8 and are summarised as follows:

	2018	2017
	£'000	£'000
Turnover	1,533	1,002
Loss for the financial year	(225)	(560)

These results are in line with the directors' expectations.

The directors do not recommend the payment of a dividend.

### Future developments

The directors' plans regarding the business are to update the current generating equipment to ensure it is more efficient whilst protecting the existing assets to deliver the maximum benefit in the future.

### Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue its operations for the foreseeable future and for a period of at least twelve months from the date of approval of the financial statements and will be able to realise its assets and discharge its liabilities and commitments in the normal course of operations.

At 31 December 2018, the Company had net liabilities of £779,000 (2017: £554,000) and included within this amount is an amount owed by group undertakings of £3,038,000 (2017: £1,934,000) and an amount owed to group undertakings of £1,562,000 (2017: £515,000) of which £1,322,000 is owed to its immediate parent company, Third Energy Onshore Limited (2017: £349,000). Amounts owed to group undertakings are repayable on demand. As at the balance sheet date the Company funded its daily working capital requirements through these intercompany loan facilities and was dependent on these loans not being recalled.

As explained in note 17, on 9th July 2019, the Company's immediate parent company, Third Energy Onshore Limited, was sold to York Energy (UK) Holdings Limited and, as part of that transaction, the loan the Company was owed by Third Energy Holdings Limited, was assigned to Third Energy Onshore Limited. As part of this transaction, all indebtedness owed to Third Energy Holdings Limited by Third Energy Onshore Limited and its subsidiaries Third Energy UK Gas Limited and Third Energy Trading Limited ("the Group") was forgiven and the cash at bank of Third Energy Onshore Limited was increased to £12million. As a consequence, the Group's forecasts indicate that there is sufficient funding to enable the Company to make the necessary investments to enable it to return to profitability and meet its liabilities as they fall due.

### Brexit

The Directors continue to assess the potential implications if the United Kingdom were to leave the European Union with or without an agreed deal. The Directors appreciate the high level of uncertainty associated with Brexit but believe there are no significant direct implications expected for the business.

# Third Energy Trading Limited

## Directors' report (continued)

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### Directors

The directors who have held office since 1<sup>st</sup> January 2018 are set out below:

R Hoare	(appointed 9th July 2019)
SJ Zablocki	(appointed 9th December 2019)
AS Linn	(appointed 22nd January 2018; resigned 9th December 2019)
R Valand	(resigned 9th July 2019)
JAG Dewar	(resigned 22nd January 2018)

### Political contributions

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

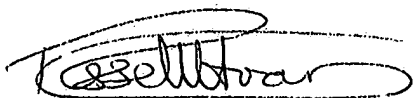
### Disclosure of information to auditor

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 485 of the Companies Act 2006, Mazars LLP were appointed as auditor for the year ended 31 December 2018. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Mazars LLP will therefore continue in office.

On behalf of the Board



Russell Hoare  
Director

16th December 2019  
Knapton Generating Station  
East Knapton  
Mallon  
North Yorkshire  
YO17 8JF

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# Third Energy Trading Limited

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

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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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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## **Opinion**

We have audited the financial statements of Third Energy Trading Limited, ("the Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

## **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's ethical standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **The impact of uncertainties due to Britain exiting the European Union on our audit**

The directors' view on the impact of Brexit is disclosed in the Directors' Report.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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## **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

## **Directors' responsibilities**

As explained more fully in the directors' responsibility 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, and 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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## **Auditors' responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our audit report.

## **Use of the audit report**

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.



Ross Preston (Senior Statutory Auditor)

for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
5th Floor  
3 Wellington Place  
Leeds  
LS1 4AP

Date: 18 December 2019

# Third Energy Trading Limited

## Statement of Comprehensive Income for the year ended 31 December 2018

	<i>Notes</i>	2018 £'000	2017 £'000
<b>Turnover</b>	3	1,533	1,002
Cost of sales		(1,334)	(1,035)
<b>Gross profit/(loss)</b>		<u>199</u>	<u>(33)</u>
Administrative expenses		(339)	(380)
<b>Operating loss</b>	4	<u>(140)</u>	<u>(413)</u>
Interest payable and similar expenses	5	(85)	(147)
<b>Loss before taxation</b>		<u>(225)</u>	<u>(560)</u>
Tax on loss	6	-	-
<b>Loss for the financial year</b>		<u>(225)</u>	<u>(560)</u>
<b>Total comprehensive loss for the year</b>		<u>(225)</u>	<u>(560)</u>

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 11 to 18 form part of these financial statements.

# Third Energy Trading Limited

## Statement of Financial Position

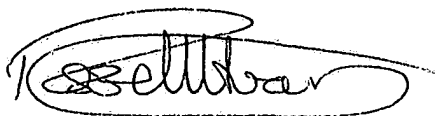
31 December 2018

Company Registration No. 05721316

	Notes	2018 £'000	2017 £'000
<b>Fixed Assets</b>			
Intangible assets	7	-	-
Tangible assets	8	2,152	2,381
		<u>2,152</u>	<u>2,381</u>
<b>Current Assets</b>			
Debtors	9	3,377	2,103
Cash at bank and in hand		15	6
		<u>3,392</u>	<u>2,109</u>
<b>Creditors: Amounts falling due within one year</b>	10	(1,745)	(547)
<b>Net Current Assets</b>		<u>1,647</u>	<u>1,562</u>
<b>Total Assets less Current Liabilities</b>		3,799	3,943
<b>Provisions for liabilities</b>	11	(4,578)	(4,497)
<b>Net Liabilities</b>		<u>(779)</u>	<u>(554)</u>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account - deficit	13	(779)	(554)
<b>Shareholders' funds - deficit</b>		<u>(779)</u>	<u>(554)</u>

The notes on pages 11 to 18 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 16th December 2019 and are signed on its behalf by:



Russell Hoare  
Director

# Third Energy Trading Limited

## Statement of Changes in Equity

for the year ended 31 December 2018

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	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2017	-	6	6
Loss for the financial year	-	(560)	(560)
At 31 December 2017	<hr/> -	<hr/> (554)	<hr/> (554)
Loss for the financial year	-	(225)	(225)
At 31 December 2018	<hr/> <hr/> -	<hr/> <hr/> (779)	<hr/> <hr/> (779)

The notes on pages 11 to 18 form part of these financial statements.

# Third Energy Trading Limited

## Notes to the financial statements

for the year ended 31 December 2018

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### 1 General information

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

### 2 Accounting policies

#### *Basis of preparation*

The financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") and the Companies Act 2006. 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 Onshore Limited.

The largest Group into which the Company could be consolidated is Third Energy Holdings Limited but that company is not including its subsidiaries in its financial statements for the year ended 31 December 2018. As a consequence, consolidated financial statements for the immediate parent undertaking, Third Energy Onshore Limited, have been prepared.

The Company's immediate parent undertaking, Third Energy Onshore 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 FRS 102) 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.

#### *Significant judgements and estimates*

The directors are required to make significant judgements and estimates in the preparation of the financial statements. The items in the financial statements where these judgements and estimates have been made include:

The directors have been required to exercise their judgement with respect to the cost of decommissioning the Company's power plant and pipelines. The directors' judgement is that, given current plans regarding the planning and timing of the decommissioning work the value adopted is the appropriate amount.

The directors' judgement is also that the onshore development will generate sufficient cash to enable the balances owed by and to fellow group companies to be repaid.

#### *Going concern*

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue its operations for the foreseeable future and for a period of at least twelve months from the date of approval of the financial statements and will be able to realise its assets and discharge its liabilities and commitments in the normal course of operations.

# Third Energy Trading Limited

## Notes to the financial statements

for the year ended 31 December 2018

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### 2 Accounting policies (continued)

#### *Going concern (continued)*

At 31 December 2018, the Company had net liabilities of £779,000 (2017: £554,000) and included within this amount is an amount owed by group undertakings of £3,038,000 (2017: £1,934,000) and an amount owed to group undertakings of £1,562,000 (2017: £515,000) of which £1,322,000 is owed to its immediate parent company, Third Energy Onshore Limited (2017: £349,000). Amounts owed to group undertakings are repayable on demand. As at the balance sheet date the Company funded its daily working capital requirements through these intercompany loan facilities and was dependent on these loans not being recalled.

As explained in note 17, on 9th July 2019, the Company's immediate parent company, Third Energy Onshore Limited, was sold to York Energy (UK) Holdings Limited and, as part of that transaction, the loan the Company was owed by Third Energy Holdings Limited, was assigned to Third Energy Onshore Limited. As part of this transaction, all indebtedness owed to Third Energy Holdings Limited by Third Energy Onshore Limited and its subsidiaries Third Energy UK Gas Limited and Third Energy Trading Limited ("the Group") was forgiven and the cash at bank of Third Energy Onshore Limited was increased to £12million. As a consequence, the Group's forecasts indicate that there is sufficient funding to enable the Company to make the necessary investments to enable it to return to profitability and meet its liabilities as they fall due.

#### *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 statement of comprehensive income 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

# Third Energy Trading Limited

## Notes to the financial statements

for the year ended 31 December 2018

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### 2 Accounting policies (continued)

#### *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 of 50% against the original cost 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 to 10 years	Straight line
Power plant	3 to 15 years	Straight line
Decommissioning asset	20 years	Straight line

The directors had previously estimated that the useful life of the decommissioning asset would be 35 years, based on their assessment of the amount of unconventional reserves available. Following the decision to concentrate on the development of conventional gas only, this has been reduced to 20 years.

#### *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.

# Third Energy Trading Limited

## Notes to the financial statements

for the year ended 31 December 2018

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### 2 Accounting policies (continued)

#### *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.

<b>3 Turnover</b>	2018	2017
Turnover represents amounts receivable from:	£'000	£'000
Sale of electricity	1,430	953
Income from provision of facilities	103	49
	<u>1,533</u>	<u>1,002</u>
<b>4 Operating loss</b>	2018	2017
Operating loss is stated after charging:	£'000	£'000
Depreciation of tangible assets		
- owned assets	218	69
Auditor's remuneration in respect of the company	9	7
Operating leases - land and buildings	<u>8</u>	<u>7</u>

There were no employees during the year other than the directors (2017: none).

The directors' remuneration is borne by Third Energy Holdings Limited and Third Energy Onshore 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.

# Third Energy Trading Limited

## Notes to the financial statements

for the year ended 31 December 2018

<b>5 Interest payable and similar charges</b>	2018	2017
	£'000	£'000
Unwinding of discount on decommissioning provision	81	142
Other interest	4	5
	<u>85</u>	<u>147</u>
<b>6 Taxation</b>	2018	2017
	£'000	£'000
<i>Analysis of charge in the year</i>		
Current tax - UK corporation tax on profits for the year	-	-
Deferred tax - origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	-	-
	<u>-</u>	<u>-</u>
<i>Factors affecting tax charge in the year</i>		
Loss before taxation	(225)	(560)
	<u>(225)</u>	<u>(560)</u>
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(43)	(108)
Expenses not deductible for tax purposes	(2)	-
Unrecognised deferred tax on losses	45	108
Total tax charge	<u>-</u>	<u>-</u>

The company has a potential deferred tax asset of £2.0m (2017: £1.8m) consisting of accumulated tax losses of £7.8m, accelerated capital allowances of £1.0m and other timing differences of £2.9m (2017: accumulated tax losses of £6.7m, accelerated capital allowances of £1.9m and other timing differences of £2.5m). 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.

<b>7 Intangible fixed assets</b>	Goodwill
	£'000
<b>Cost</b>	
At 1 January 2018 and 31 December 2018	<u>4,902</u>
<b>Amortisation</b>	
At 1 January 2018 and 31 December 2018	<u>4,902</u>
<b>Net book value</b>	
At 1 January 2018 and 31 December 2018	<u>-</u>

# Third Energy Trading Limited

Notes to the financial statements

for the year ended 31 December 2018

## 8 Tangible fixed assets

	Decommiss- ioning asset £'000	Power Plant £'000	Gas Collection Equipment £'000	Land £'000	Total £'000
<b>Cost</b>					
At 1 January 2018	3,318	11,409	4,902	193	19,822
Additions	-	-	-	-	-
Disposals	-	(21)	-	-	(21)
At 31 December 2018	<u>3,318</u>	<u>11,388</u>	<u>4,902</u>	<u>193</u>	<u>19,801</u>
<b>Depreciation</b>					
At 1 January 2018	1,538	11,001	4,902	-	17,441
Charge for the year	89	129	-	-	218
Removed on disposal	-	(10)	-	-	(10)
At 31 December 2018	<u>1,627</u>	<u>11,120</u>	<u>4,902</u>	<u>-</u>	<u>17,649</u>
<b>Net book value</b>					
At 31 December 2018	<u>1,691</u>	<u>268</u>	<u>-</u>	<u>193</u>	<u>2,152</u>
At 31 December 2017	<u>1,780</u>	<u>408</u>	<u>-</u>	<u>193</u>	<u>2,381</u>

## 9 Debtors

	2018 £'000	2017 £'000
Amounts owed by Third Energy Holdings Limited	3,038	1,934
Prepayments and accrued income	339	169
	<u>3,377</u>	<u>2,103</u>

The amounts owed by Third Energy Holdings Limited are repayable on demand and no interest is charged on the outstanding balance. As part of the sale of Third Energy Onshore Limited to York Energy Holdings (UK) Limited, after the balance sheet date, this balance was assigned to Third Energy Onshore Limited.

10 Creditors: amounts falling due within one year	2018 £'000	2017 £'000
Trade creditors	-	9
Amounts owed to group undertakings	1,562	515
Accruals and deferred income	183	23
	<u>1,745</u>	<u>547</u>

Amounts owed to group undertakings are repayable on demand but the directors of those companies have confirmed that it is not their intention to seek repayment of these amounts within the twelve months following the signing of these accounts. There is no interest charged on these amounts.

# Third Energy Trading Limited

## Notes to the financial statements

for the year ended 31 December 2018

11 Provisions for liabilities	2018 £'000	2017 £'000
Decommissioning costs		
At 1 January 2018	4,497	2,574
Reassessment of decommissioning provision	-	1,781
Unwinding of discount to profit and loss account	81	142
At 31 December 2018	<u>4,578</u>	<u>4,497</u>

Provision has been made for the discounted cost of restoring the plant and pipelines on the Company's wellsites and at the main generating station to a condition acceptable to the relevant authorities, which is not anticipated to happen until 20 years after the year end. The Directors have estimated the cost of restoring the the plant and pipelines and this estimation has been adopted in these financial statements. Actual decommissioning costs will ultimately depend on the future cost of decommissioning which in turn will be affected by market conditions and regulations at the time. Furthermore, the timing of decommissioning will depend on the date the fields cease to produce at commercial rates which is influenced by factors such as future gas prices, which are inherently uncertain.

12 Called up share capital	2018	2017
Ordinary shares of £1 each	No	No
Authorised	<u>1,000</u>	<u>1,000</u>
	£	£
Allotted, issued and fully paid	<u>1</u>	<u>1</u>

### 13 Reserves

#### Profit & loss account

This reserve represents cumulative profits and losses less dividends paid.

### 14 Operating lease commitments

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

	2018 £'000	2017 £'000
Within one year	7	7
Within two to five years	30	29
After five years	8	18
	<u>45</u>	<u>54</u>

During the year £8,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £7,000).

### 15 Guarantees and other financial commitments

As at 31 December 2018, the Company had granted a charge to Northwharf Investments Limited to support a loan facility advanced to Third Energy Holdings Limited by Northwharf Investments Limited totalling £18,800,000 (see note 17 below).

The company is a member of a VAT group and the net potential liability under the group registration as of 31 December 2018 was £nil (2017: £nil).

# Third Energy Trading Limited

## Notes to the financial statements

for the year ended 31 December 2018

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### 16 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.

### 17 Post balance sheet events

On 9th July 2019, Third Energy Holdings Limited sold Third Energy Onshore Limited and its subsidiaries, Third Energy Trading Limited and Third Energy UK Gas Limited ("the Group"), to York Energy (UK) Holdings Limited. Immediately prior to this transaction, the amounts that were owed by Third Energy Holdings Limited to Third Energy Trading Limited and the amounts that were owed by Third Energy UK Gas Limited to Third Energy Holdings Limited were assigned to Third Energy Onshore Limited.

Furthermore, immediately prior to completion of the transaction the balance at bank of Third Energy Onshore Limited was increased to £12m to provide the Group with sufficient cash to enable it to meet its known liabilities and provide it with working capital and the loan balance owed to Third Energy Holdings Limited, which at that date had increased to £80,829,000, was forgiven.

As a result of this transaction the Company was released from all obligations as chargor and obligor to a loan facility taken out by Third Energy Holdings Limited with Northwharf Investments Limited.

### 18 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 Onshore Limited.

In the opinion of the directors, the ultimate parent company of Third Energy Onshore Limited is Barclays PLC as at 31 December 2018. There is no ultimate controlling party.

As at the date of signing these financial statements, the immediate parent is York Energy (UK) Holdings Limited and the ultimate controlling party is Mr T Reed.