

Third Energy Trading Limited

Financial statements

for the year ended 31 December 2019



Company Registration No. 05721316

Third Energy Trading Limited

Statement of Financial Position

31 December 2019

Company Registration No. 05721316

	Notes	2019 £'000	2018 £'000
Fixed Assets			
Tangible assets	5	1,870	2,152
		<u>1,870</u>	<u>2,152</u>
Current Assets			
Debtors	6	1,687	3,377
Cash at bank and in hand		43	15
		<u>1,730</u>	<u>3,392</u>
Creditors: Amounts falling due within one year	7	(925)	(1,745)
Net Current Assets		<u>805</u>	<u>1,647</u>
Total Assets less Current Liabilities		2,675	3,799
Provisions for liabilities	8	(4,660)	(4,578)
Net Liabilities		<u>(1,985)</u>	<u>(779)</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	(1,985)	(779)
Shareholders' funds - deficit		<u>(1,985)</u>	<u>(779)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on: 17 December 2020
Signed on behalf of the board by:


Russell Hoare
Director

The notes on pages 2 to 6 form part of these financial statements.

Third Energy Trading Limited

Notes to the financial statements for the year ended 31 December 2019

1 General information

Third Energy Trading Limited is a private company incorporated, domiciled and registered in England and Wales. 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. 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 Section 1A of 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.

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.

At 31 December 2019, the Company had net liabilities of £1,985,000 (2018: £779,000). Included within this amount is an amount owed by group undertakings of £1,633,000 (2018: £3,038,000) and an amount owed to group undertakings of £788,000 (2018: £1,562,000). Amounts owed to group undertakings are repayable on demand, but are unlikely to be recalled and the Company has a Letter of Support from its parent company, Third Energy Onshore Limited, which has significant cash balances at 31 December 2019 (£8,983,000). As at the balance sheet date the Company funded its daily working capital requirements through these intercompany loan facilities.

The directors have a reasonable expectation that the company has adequate resources through these intercompany loan facilities to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of approval of these financial statements. Management have assessed the impact of COVID-19 and based on the forecasts prepared and the ongoing support from the parent company, Third Energy Onshore Limited, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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. The Company has no bank overdrafts.

Third Energy Trading Limited

Notes to the financial statements
for the year ended 31 December 2019

2 Accounting policies (continued)

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.

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

Impairment

The carrying amounts of the Company's non-financial 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.

Third Energy Trading Limited

Notes to the financial statements
for the year ended 31 December 2019

2 Accounting policies (continued)

Impairment (continued)

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. Amounts receivable for electricity generation are recognised in the month that the electricity is delivered. Amounts receivable for the provision of facilities are recognised in the month that gas is delivered to those facilities.

3 Staff costs

There were no employees during the year other than the directors (2018: none).

4 Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 January 2019 and 31 December 2019	4,902
Amortisation	
At 1 January 2019 and 31 December 2019	4,902
Net book value	
At 1 January 2019 and 31 December 2019	-

Third Energy Trading Limited

Notes to the financial statements
for the year ended 31 December 2019

5 Tangible fixed assets

	Decommissioning asset £'000	Power Plant £'000	Gas Collection Equipment £'000	Land £'000	Total £'000
Cost					
At 1 January 2019	3,318	11,388	4,902	193	19,801
Disposals	-	(38)	-	-	(38)
At 31 December 2019	<u>3,318</u>	<u>11,350</u>	<u>4,902</u>	<u>193</u>	<u>19,763</u>
Depreciation					
At 1 January 2019	1,627	11,120	4,902	-	17,649
Charge for the year	89	-	-	-	89
Removed on disposal	-	(19)	-	-	(19)
Impairment	-	174	-	-	174
At 31 December 2019	<u>1,716</u>	<u>11,275</u>	<u>4,902</u>	<u>-</u>	<u>17,893</u>
Net book value					
At 31 December 2019	<u>1,602</u>	<u>75</u>	<u>-</u>	<u>193</u>	<u>1,870</u>
At 31 December 2018	<u>1,691</u>	<u>268</u>	<u>-</u>	<u>193</u>	<u>2,152</u>

Impairment losses have been recognised in the Cost of Sales line in the profit and loss.

6 Debtors

	2019 £'000	2018 £'000
Amounts owed by group undertaking	1,633	3,038
Prepayments and accrued income	54	339
	<u>1,687</u>	<u>3,377</u>

Amounts owed to group undertakings are repayable on demand. There is no interest charged on these amounts.

7 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	8	-
Amounts owed to group undertakings	788	1,562
Taxation and social security costs	2	-
Accruals and deferred income	127	183
	<u>925</u>	<u>1,745</u>

Amounts owed to group undertakings are repayable on demand. There is no interest charged on these amounts.

8 Provisions for liabilities

	2019 £'000	2018 £'000
Decommissioning costs		
At 1 January 2019	4,578	4,497
Unwinding of discount to profit and loss account	82	81
At 31 December 2019	<u>4,660</u>	<u>4,578</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 19 years after the year end. The Company commissioned Dundas Consultants to calculate the current cost of decommissioning the wellsites, in the unlikely event that decommissioning was required immediately, and they reported in October 2019. These calculations have 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.

Third Energy Trading Limited

Notes to the financial statements for the year ended 31 December 2019

9 Called up share capital	2019	2018
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>

10 Reserves

Profit & loss account

This reserve represents cumulative profits and losses less dividends paid.

11 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 2019 was £nil (2018: £nil).

12 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.

13 Ultimate parent company

The immediate parent company is Third Energy Onshore Limited.

As at the date of signing these financial statements, the ultimate parent company is York Energy, a company domiciled and registered in the Cayman Islands and the ultimate controlling party is Mr T Reed.

14 Post balance sheet events

Subsequent to the year end, coronavirus Covid-19 has resulted in a global pandemic affecting economies globally. The speed and severity of the impact has been unprecedented but many Governments, including within the UK, have introduced considerable measures to help businesses through this extremely challenging time. At the time of approval of these accounts, the full effect of the pandemic is uncertain, but the directors consider that the Company remains a going concern.

15 Auditor's information

The Auditor's report on the financial statements for the year ended 31 December 2019 was unqualified but included the following emphasis of matter:

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 and the consideration in the going concern basis of preparation on page 2 and non-adjusting post balance sheet events on page 6.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The impact of COVID-19 became significant in March 2020 and has caused widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 continues to evolve and, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that COVID-19 is a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate.

The audit report was signed by Shaun Mullins (Senior Statutory Auditor) on behalf of Mazars LLP on: 23 December 2020