Third Energy Trading Limited

Financial statements

for the year ended 31 December 2020

Company Registration No. 05721316

Third Energy Trading Limited

Statement of Financial Position

31 December 2020 **Company Registration No. 05721316**

	Notes	2020	2019
		£'000	£'000
Fixed Assets			
Investments		1	-
Intangible assets	*5*	97	-
Tangible assets	*6*	1,755	1,870
		1,853	1,870
Current Assets			
Debtors	*7*	1,912	1,687
Cash at bank and in hand		8	43
		1,920	1,730
Creditors: Amounts falling due within one year	*8*	(1,430)	(925)
Net Current Assets		490	805
Total Assets less Current Liabilities		2,343	2,675
Provisions for liabilities	*9*	(4,743)	(4,660)
Net Liabilities		(2,400)	(1,985)
Capital and reserves			
Called up share capital	*10*	-	-
Profit and loss account	*11*	(2,400)	(1,985)
Shareholders' deficit		(2,400)	(1,985)

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

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 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 and authorised for issue by the board and were signed on its behalf on:

Date: Sep 13, 2021

Russell Hoare

Russell Hoare (Sep 13, 2021 22:04 GMT+1)

Russell Hoare

Director

The notes on pages 2 to 7 form part of these financial statements.

1 General information

Third Energy Trading Limited is a private company incorporated, domiciled and registered in England and Wales limited by shares. The principal activity of the Company continues to be the generation of electricity at a 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

2.1 ***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.

2.2 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.

2.3 ***Going concern***

The financial statements have been prepared on the going concern basis.

At 31 December 2020, the Company had net liabilities of £2,400,000 (2020: £1,985,000). Included within this amount is an amount owed by group undertakings of £1,883,000 (2020: £1,633,000) and an amount owed to group undertakings of £1,395,000 (2020: £788,000). 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 2020 (£5,076,000). 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.

2.4 ***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.

2 Accounting policies (continued)

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

2.6 Intangible fixed assets

Exploration and evaluation costs are accounted for under IFRS 6 as recommended under FRS 102 (see "Basis of preparation" on page 2).

Costs of business development are initially capitalised as development assets. The costs of technical services and studies, and activities in relation to evaluating the technical feasibility and commercial viability are capitalised as intangible development assets.

Intangible development assets are not amortised prior to the conclusion of appraisal activities but are carried forward until the commercial viability has been determined. If commercial viability is determined to exist, the carrying value of the relevant development asset is then reclassified as a fixed asset. If commercial viability is determined not to exist, the capitalised costs that had previously been carried in intangible assets are charged to the profit and loss account as development expense, as soon as that determination has been made. The status of such prospects is reviewed regularly by the directors.

2.7 *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

2 Accounting policies (continued)

2.7 *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.

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.

2.8 *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.

2.9 *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.

2.10 *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.

2.11 *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 (2019: none).

4 Investments

	Investments in group undertakings 2020	
	2020	2019
	£'000	£'000
Cost of investment	1	-

As at 31st December 2020 the Company had the following subsidiary undertaking, which is directly owned 100%

Name	Country of incorporation	Principal activity
Knapton Energy One Limited (Incorporated on 22nd July 2020)	England & Wales	Electricity generation

The registered office of this company is Knapton Generating Station, East Knapton, Malton, North Yorkshire, YO17 8JF.

5 Intangible fixed assets

	Development assets	Goodwill	Total £'000
Cost			
At 1 January	-	4,902	4,902
Additions	97	-	97
At 31 December 2020	97	4,902	4,999
Amortisation			
At 1 January 2020	-	4,902	4,902
At 31 December 2020	-	4,902	4,902
Net book value			
At 31 December 2020	97	-	97
At 31 December 2019	-	-	-

6 Tangible fixed assets

	Decommiss-ioning asset £'000	Power Plant £'000	Gas Collection Equipment £'000	Land £'000	Total £'000
Cost					
At 1 January 2020	3,318	11,350	4,902	193	19,763
Additions	-	26	-	-	26
Eliminate cost of exhausted assets	-	(272)	-	-	(272)
Disposals	-	(3,168)	-	-	(3,168)
At 31 December 2020	3,318	7,936	4,902	193	16,349
Depreciation					
At 1 January 2020	1,716	11,275	4,902	-	17,893
Charge for the year	89	24	-	-	113
Eliminate depreciation on exhausted assets	-	(272)	-	-	(272)
Impairment removed on disposal	-	(60)	-	-	(60)
Removed on disposal	-	(3,080)	-	-	(3,080)
Impairment	-	-	-	-	-
At 31 December 2020	1,805	7,887	4,902	-	14,594
Net book value					
At 31 December 2020	1,513	49	-	193	1,755
At 31 December 2019	1,602	75	-	193	1,870

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

7 Debtors

	2020	2019
	£'000	£'000
Amounts owed by group undertaking	1,883	1,633
Prepayments and accrued income	29	54
	1,912	1,687

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

8 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	6	8
Amounts owed to group undertakings	1,395	788
Taxation and social security costs	-	2
Accruals and deferred income	29	127
	1,430	925

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

9 Provisions for liabilities

	2020	2019
Decommissioning costs	£'000	£'000
At 1 January 2020	4,660	4,578
Unwinding of discount to profit and loss account	83	82
At 31 December 2020	4,743	4,660

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 18 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.

10 Called up share capital

	2020	2019
Ordinary shares of £1 each	No	No
Authorised	1,000	1,000
	£	£
Allotted, issued and fully paid	1	1

11 Reserves

Profit & loss account

This reserve represents cumulative profits and losses less dividends paid.

12 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 2020 was £nil (2019: £nil).

13 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.

14 Ultimate parent company

As at the balance sheet date the immediate parent company is Third Energy Onshore Limited and the ultimate parent is York Energy, a company domiciled and registered in the Cayman Islands and the ultimate controlling party is Mr T Reed.

15 Auditor's information

The Auditor's report on the financial statements for the year ended 31 December 2020 was unqualified.

The audit report was signed by Shaun Mullins (Senior Statutory Auditor) on behalf of Mazars LLP on: Sep 14, 2021