

**Cuadrilla Resources Limited**

**Directors' report and financial  
statements**

**Registered number 6472493**

**For the year ended 31 December 2010**

TUESDAY



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## Directors' report

The directors of Cuadrilla Resources Limited (the "Company") present their directors' report and financial statements for the year ended 31 December 2010

### Principal activities

The principal activity of the Company is the provision of management services to its subsidiary companies who are involved in the exploration of onshore oil and gas

### Business review

The Cuadrilla group was restructured in February 2010 and a new holding company was established – Cuadrilla Resources Holdings Limited. On this date, Riverstone LLC committed to subscribe \$58 million equity in Cuadrilla Resources Holdings Limited

During the year, the Company expanded its activities and a number of its subsidiaries were successful in obtaining licences to explore for oil and gas. Exploratory drilling has commenced in the UK

### Results and proposed dividends

The result for the year is a profit of \$19,000 (2009: \$2,000). The Directors do not recommend the payment of a dividend

### Directors

The directors who held office during the year were as follows

Dennis Carlton

Mark Miller

Andrew Price appointed 21<sup>st</sup> April 2010

Dr Peter Turner

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



Andrew Price  
Director

Cuadrilla House  
Stowe Court  
Stowe Street  
Lichfield  
Staffordshire  
WS13 6AQ

17 May 2011

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the Director's Report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 they have been prepared in accordance with IFRSs as adopted by the EU, and
- 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 steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
United Kingdom

## **Independent auditor's report to the members of Cuadrilla Resources Limited**

We have audited the financial statements of Cuadrilla Resources Limited for the year ended 31 December 2010 set out on pages 5 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 directors' responsibilities statement set out on page 2, 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on 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 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

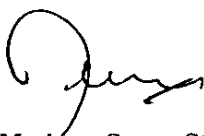
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of Cuadrilla Resources Limited** *(continued)*

**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



**PN Meehan, Senior Statutory Auditor**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*

17 MAY 2011

**Income statement and comprehensive income**  
*for the year ended 31 December 2010*

	<i>Note</i>	<b>2010</b> <b>\$000</b>	<b>2009</b> <b>\$000</b>
<b>Revenue</b>	<b>1</b>	<b>3,021</b>	<b>1,243</b>
<b>Gross profit</b>		<b>3,021</b>	<b>1 243</b>
<i>Operating expenses</i>		<i>(921)</i>	<i>( 448)</i>
<i>Administrative expenses</i>		<i>(2,100)</i>	<i>( 795)</i>
<b>Operating result</b>	<b>1,3,4</b>	<b>-</b>	<b>-</b>
<i>Financial income</i>	<b>6</b>	<b>19</b>	<b>2</b>
<b>Profit before tax</b>	<b>1,5</b>	<b>19</b>	<b>2</b>
<i>Taxation</i>	<b>7</b>	<b>-</b>	<b>-</b>
<b>Profit for the year</b>		<b>19</b>	<b>2</b>

The results above relate to continuing operations

The Company has no other income or expenses recognised in the year, other than those shown in the 'Income Statement and Comprehensive Income' above

The accompanying notes on pages 8 to 19 form an integral part of these financial statements

**Balance sheet**  
*at 31 December 2010*

	<i>Note</i>	<i>2010</i> <i>\$000</i>	<i>2009</i> <i>\$000</i>
<b>Non-current assets</b>			
Property, plant and equipment	8	199	84
Intangible assets	9	31	18
Investments in subsidiaries	10	178	113
		<u>408</u>	<u>215</u>
<b>Current assets</b>			
Trade and other receivables	11	66,640	30,916
Cash		8,272	2,041
		<u>74,912</u>	<u>32,957</u>
<b>Total assets</b>	1	<u>75,320</u>	<u>33,172</u>
<b>Current liabilities</b>			
Trade and other payables	12	(49,035)	(33,326)
		<u>(49,035)</u>	<u>(33,326)</u>
<b>Total liabilities</b>	1	<u>(49,035)</u>	<u>(33,326)</u>
<b>Net assets/(liabilities)</b>	1	<u>26,285</u>	<u>(154)</u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	13	-	-
Capital contribution reserve	13	26,420	-
Retained losses	13	(135)	(154)
<b>Total equity</b>		<u>26,285</u>	<u>(154)</u>

These financial statements were approved by the board of directors on 17 May 2011 and were signed on its behalf by



**Andrew Price**  
Director

Company registered number 6472493

The accompanying notes on pages 8 to 19 form an integral part of these financial statements



**Cash flow statement**  
*for the year ended 31 December 2010*

	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
<b><i>Cash flows from operating activities</i></b>		
<i>Profit for the year</i>	<b>19</b>	<b>2</b>
<i>Adjustments for</i>		
<i>Depreciation and amortisation</i>	<b>61</b>	<b>18</b>
<i>Foreign exchange gains</i>	<b>(336)</b>	<b>(199)</b>
<i>Financial income</i>	<b>(19)</b>	<b>(2)</b>
<i>Increase in trade and other receivables</i>	<b>(35,724)</b>	<b>(30,808)</b>
<i>Increase in trade and other payables</i>	<b>42,129</b>	<b>31,960</b>
<i>Interest paid</i>	<b>-</b>	<b>-</b>
<i>Tax paid</i>	<b>-</b>	<b>-</b>
<b><i>Net cash inflow from operating activities</i></b>	<b>6,130</b>	<b>971</b>
<b><i>Cash flows from investing activities</i></b>		
<i>Purchases of property, plant and equipment</i>	<b>(163)</b>	<b>(97)</b>
<i>Purchases of intangible assets</i>	<b>(26)</b>	<b>(23)</b>
<i>Interest received</i>	<b>19</b>	<b>2</b>
<i>Acquisition of subsidiaries, net of cash acquired</i>	<b>(65)</b>	<b>(113)</b>
<b><i>Net cash outflow from investing activities</i></b>	<b>(235)</b>	<b>(231)</b>
 <i>Net increase in cash</i>	 <b>5,895</b>	 <b>740</b>
<i>Cash at start of year</i>	<b>2,041</b>	<b>1,102</b>
<i>Effect of exchange rate fluctuations on cash held</i>	<b>336</b>	<b>199</b>
<b><i>Cash at 31 December</i></b>	<b>8,272</b>	<b>2,041</b>

The accompanying notes on pages 8 to 19 form an integral part of these financial statements

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Cuadrilla Resources Limited (the 'Company') is a company incorporated in and domiciled in the United Kingdom

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and applied in accordance with the provisions of the Companies Act 2006

The Company's financial statements are presented in US dollars, which is the Company's functional and presentation currency

#### *Measurement convention*

The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

#### *Foreign currency*

Transactions in foreign currencies are translated to the functional currencies of Company at the foreign exchange rate issued at by Her Majesty's Revenue & Customs at the beginning of the month in which the transaction occurs. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis within administrative costs.

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables and trade and other payables.

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### *Property, plant and equipment*

Tangible fixed assets are classified as property, plant and equipment. These assets, which are not subject to depletion, are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Fixtures, fittings and equipment 4 years
- Motor vehicles 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Intangible assets – computer software*

Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the expected useful economic life of 4 years.

#### *Revenue*

Revenue is recognised at the fair value of the consideration received or receivable from subsidiaries in respect of management services supplied during the period once the risks and rewards of the supply have been transferred.

#### *Expenses*

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### *Employee benefits*

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

#### *Financing income*

Financing income is interest receivable on funds invested.

#### *Taxation*

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## Notes (continued)

### 2 Business and geographical segments

The Company has a single class of business which is the provision of management services to its subsidiary companies who are involved in the exploration of oil and gas in Europe

All sales are management charges to subsidiaries

### 3 Staff numbers and costs

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

	<i>Number of employees</i>	
	<i>Company</i>	
	<i>2010</i>	<i>2009</i>
Management	7	5

The aggregate payroll costs of these persons were as follows

	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
<i>Wages and salaries</i>	<i>1,164</i>	<i>156</i>
<i>Social security costs</i>	<i>217</i>	<i>17</i>
<i>Contributions to defined contribution plans</i>	<i>13</i>	<i>3</i>
	<u><i>1,394</i></u>	<u><i>176</i></u>

### 4 Directors' remuneration

	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
Directors' emoluments	779	83

No retirement benefits accrued to any of the directors under defined benefit pension schemes

### 5 Expenses and auditors remuneration

*Included in profit for the year are the following*

	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
<i>Depreciation of plant and equipment</i>	<i>48</i>	<i>13</i>
<i>Amortisation of intangible assets</i>	<i>13</i>	<i>28</i>
<i>Operating lease charges – land and buildings</i>	<i>155</i>	<i>66</i>
<i>Foreign exchange gains</i>	<i>(336)</i>	<i>(199)</i>

## Notes (continued)

### 6 Finance income

#### Recognised in income statement

	2010 \$000	2009 \$000
<i>Finance income – interest income on cash balances</i>	<u>19</u>	<u>2</u>

### 7 Taxation

#### Recognised in the income statement

	2010 \$000	2009 \$000
<i>Current tax expense</i>	-	-
<i>Deferred tax expense</i>	-	-
	<u>-</u>	<u>-</u>
<i>Total tax expense</i>	<u>-</u>	<u>-</u>

#### Reconciliation of effective tax rate

	2010 \$000	2009 \$000
<i>Profit before tax for the year</i>	<u>19</u>	<u>2</u>
<i>Tax using the UK corporation tax rate of 28% (2009 28%)</i>	(5)	(1)
<i>Tax losses brought forward offset in the current year</i>	5	1
<i>Non-deductible expenses</i>	(9)	-
<i>Group relief for losses</i>	9	-
	<u>-</u>	<u>-</u>
<i>Total tax expense</i>	<u>-</u>	<u>-</u>

During the period, the 2010 Finance Bill was enacted which will reduce the UK Corporation Tax rate from 28% to 27% from 1<sup>st</sup> April 2011. The UK Government subsequently announced on 23 March 2011 that the rate of Corporation tax will instead reduce to 26% from 1st April 2011, with further reductions of 1% each year until the rate reaches 23% from 1st April 2014.

The Company has no recognised or unrecognised deferred tax.

## Notes (continued)

### 8 Property, plant and equipment

	<i>Fixtures, fittings &amp; equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>Cost</b>			
Balance at 1 January 2009	-	-	-
Additions	72	25	97
	<u>72</u>	<u>25</u>	<u>97</u>
Balance at 31 December 2009	72	25	97
	<u>72</u>	<u>25</u>	<u>97</u>
Balance at 1 January 2010	72	25	97
Additions	65	98	163
	<u>65</u>	<u>98</u>	<u>163</u>
Balance at 31 December 2010	137	123	260
	<u>137</u>	<u>123</u>	<u>260</u>
<b>Depreciation</b>			
Balance at 1 January 2009	-	-	-
Depreciation charge for the year	(10)	(3)	(13)
	<u>(10)</u>	<u>(3)</u>	<u>(13)</u>
Balance at 31 December 2009	(10)	(3)	(13)
	<u>(10)</u>	<u>(3)</u>	<u>(13)</u>
Balance at 1 January 2010	(10)	(3)	(13)
Depreciation charge for the year	(26)	(22)	(48)
	<u>(26)</u>	<u>(22)</u>	<u>(48)</u>
Balance at 31 December 2010	(36)	(25)	(61)
	<u>(36)</u>	<u>(25)</u>	<u>(61)</u>
<b>Net book value</b>			
At 1 January 2009	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2009 and 1 January 2010	62	22	84
	<u>62</u>	<u>22</u>	<u>84</u>
At 31 December 2010	101	98	199
	<u>101</u>	<u>98</u>	<u>199</u>

The depreciation charge is recognised within administrative costs for the year

## Notes (continued)

### 9 Intangible assets

<b>Cost</b>	<b>Software \$000</b>
Balance at 1 January 2009	-
Additions	46
	<hr/>
Balance at 31 December 2009	46
	<hr/>
At 1 January 2010	46
Additions	26
	<hr/>
Balance at 31 December 2010	72
	<hr/>
<b>Amortisation</b>	
At 1 January 2009	-
Amortisation charge for the year	(28)
	<hr/>
Balance at 31 December 2009	(28)
	<hr/>
At 1 January 2010	(28)
Amortisation charge for the year	(13)
	<hr/>
Balance at 31 December 2010	(41)
	<hr/>
<b>Net book value</b>	
At 1 January 2009	-
	<hr/>
At 31 December 2009 and 1 January 2010	18
	<hr/>
At 31 December 2010	31
	<hr/>

The amortisation charge is recognised within administrative costs for the year

## Notes (continued)

### 10 Investments in subsidiaries

	<b>2010</b> <b>\$000</b>
<i>Cost and net book value</i>	
Balance at 1 January 2010	113
Additions	65
	<hr/>
At 31 December	<b>178</b> <hr/>

Details of the Company's principal subsidiaries at 31 December 2010 are as follows

	<i>Country of Incorporation</i>	<i>Nature of business</i>	<i>Class of shares held</i>	<i>Ownership</i>
<i>Cudrilla Well Services Limited</i>	UK	<i>Services for oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Elswick Resources Limited</i>	UK	<i>Electricity production</i>	<i>Ordinary</i>	<i>100%</i>
<i>Bowland Resources Limited</i>	UK	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Bolney Resources Limited</i>	UK	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Tanglewood Resources Limited</i>	UK	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Susquehanna Natural Resources Co</i>	USA	<i>Services for oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Hardenburg Resources BV</i>	Netherlands	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Brabant Resources BV</i>	Netherlands	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cudrilla Resources Deutschland GmbH</i>	Germany	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cudrilla Austria GmbH*</i>	Austria	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cudrilla Poland Sp Zo o*</i>	Poland	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cudrilla Morova SRO*</i>	Czech Republic	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cudrilla Hungary Limited* **</i>	UK	<i>Investment holding</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cudrilla Resources Iberica SL</i>	Spain	<i>Oil and gas exploration</i>	<i>Ordinary</i>	<i>100%</i>
<i>Cudrillco Limited*</i>	UK	<i>Not trading</i>	<i>Ordinary</i>	<i>100%</i>

\*additions in the year

\*\*90% of ordinary share capital is owned by the Company directly and 100% is owned indirectly

### 11 Trade and other receivables

	<b>2010</b> <b>\$000</b>	<b>2009</b> <b>\$000</b>
<i>Current</i>		
Trade receivables due from related parties (note 18)	65,400	22,324
Prepayments	56	8,435
Other receivables due from related parties (note 18)	451	-
Other debtors	733	157
	<hr/>	<hr/>
	<b>66,640</b>	<b>30,916</b>
	<hr/>	<hr/>

All trade and other receivables are current



**Notes (continued)**

**12 Trade and other payables**

	<i>2010</i>	<i>2009</i>
	<i>\$000</i>	<i>\$000</i>
<i>Current</i>		
<i>Trade payables</i>	<i>4,626</i>	<i>6,349</i>
<i>Amounts due to immediate parent company</i>	<i>44,292</i>	<i>26,951</i>
<i>Accrued expenses</i>	<i>117</i>	<i>26</i>
	<hr/> <i>49,035</i> <hr/>	<hr/> <i>33,326</i> <hr/>

Amounts due to the immediate parent company relate to the settlement of liabilities on behalf of the Company. The amounts bear no interest and are repayable on demand. See Note 1 relating to the parent company's ongoing financial support.

## Notes (continued)

### 13 Capital and reserves

#### Reconciliation of movement in capital and reserves

	Share capital \$000	Capital contribution reserve \$000	Retained losses \$000	Total Equity \$000
Balance at 1 January 2009	-	-	(156)	(156)
Total recognised income and expense	-	-	2	2
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2009	-	-	(154)	(154)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2010	-	-	(154)	(154)
Capital contribution*	-	26,420	-	26,420
Total recognised income and expense	-	-	19	19
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2010</b>	<b>-</b>	<b>26,420</b>	<b>(135)</b>	<b>26,285</b>
	<hr/>	<hr/>	<hr/>	<hr/>

\*On 30<sup>th</sup> September 2010, the Company received a waiver of an intercompany debt of \$26,420,000 owed by the Company to Cuadrilla Resources Corporation Limited

#### Share capital

##### Ordinary shares

<i>Number of shares</i>	<b>2010</b>	<b>2009</b>
<i>On issue at 31 December— fully paid</i>	<b>100</b>	<b>100</b>
	<hr/>	<hr/>
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of \$1.50 each	<b>150</b>	<b>150</b>
	<hr/>	<hr/>
	<b>150</b>	<b>150</b>
	<hr/>	<hr/>

The total authorised number of ordinary shares is 100,000 shares with a par value of \$1.50 per share. All issued shares are fully paid.

On 18 December 2009, the £1 ordinary shares were redenominated into ordinary shares of \$1.50 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## Notes (continued)

### 14 Financial instruments

#### 14(a) Fair value of financial instruments

##### *Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

##### *Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

##### **Fair values**

The fair values of financial assets and liabilities are considered to be the same as the carrying amounts

#### 14(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers

The Company has no significant exposure to credit risk at 31 December 2010

#### 14(c) Liquidity risk

##### *Financial risk management*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due

The Company's most significant creditor is an intercompany balance with its parent company, which although it is repayable on demand, the parent company has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available

#### 14(d) Market risk

##### *Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments

Exposure to interest rate risks arise in the normal course of the Company's business. The Company's transactions are denominated in US\$ and exposure to foreign currency risk is not considered significant

#### 14(e) Capital management

The Company is dependent for its working capital on funds provided to it by Cuadrilla Resources Holdings Limited, the Company's parent. Management have reviewed the forecast cash requirements of the group for the following 12 months and have satisfied themselves that the group will be able to meet its external liabilities as they fall due for payment

## Notes (continued)

### 15 Operating lease commitments

The Company leases land and buildings under a number of operating leases. During the year \$155,000 (2009 \$66,000) was recognised as an expense in the income statement in respect of leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2010 \$000	2009 \$000
<i>Less than one year</i>	91	35
<i>Between one and five years</i>	101	21
<i>More than five years</i>	-	-
	<u>192</u>	<u>56</u>

### 16 Capital commitments

Capital expenditure for plant and equipment, which was contracted for at the balance sheet date but not yet incurred amounted to \$nil (2009 \$12,362,000)

### 17 Contingencies

The Company is part of a group registration for VAT

### 18 Related parties

#### *Management fees*

The Company has recognised income of \$3,021,000 in respect of management fees (2009 \$1,243,000) Management fees are charges for operational and administrative services provided by the Company to subsidiary companies. The management fees are agreed to by both parties and are recorded at a value equivalent to the cost to the Company

#### *Directors and key management loans*

The Company has advanced loans to key management and directors of the Company of \$451,000 (2009 \$nil) to enable them to participate in the equity of the parent company. These loans are interest free

#### *Other related party transactions*

	Receivables outstanding 2010 \$000	2009 \$000	Payables outstanding 2010 \$000	2009 \$000
Immediate parent company	-	1,160	44,292	26,951
Subsidiaries	65,400	21,164	-	-
	<u>65,400</u>	<u>22,324</u>	<u>44,292</u>	<u>26,951</u>

All intercompany accounts are current

## Notes (continued)

### 19 Ultimate parent company and parent company of larger group

As at 31 December 2009, the company was a subsidiary of Cuadrilla Resources Corporation Limited, a company incorporated in Bermuda, but resident in the UK for tax purposes. The controlling party of Cuadrilla Resources Corporation Limited at this time was AJ Lucas Group Limited.

On 15 February 2010, Cuadrilla Resources Holdings Limited, a company incorporated in the UK, acquired the entire issued share capital of Cuadrilla Resources Corporation Limited through a share for share exchange and became the ultimate parent company of the group.

Cuadrilla Resources Holdings Limited is jointly controlled by its shareholders: Lucas Cuadrilla PTY Limited (40.9%), Riverstone/Carlyle Global Energy and Power Fund IV (Cayman) LP (40.9%) and the management team (18.2%).

The largest and smallest consolidated financial statements into which the results of the Company are consolidated are those of the ultimate parent company, Cuadrilla Resources Holdings Limited. Cuadrilla Resources Holdings Limited is a company incorporated in the United Kingdom and copies of the consolidated financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.