

Cuadrilla Resources Limited

Annual report and financial statements

Registered number 6472493

For the year ended 31 December 2016

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Strategic report

During the year, the Company's subsidiaries have continued their exploration programme at a number of sites in the UK.

I am very pleased to report that following the granting of planning consent in October 2016 we will complete the site construction phase for our shale gas exploration site at Preston New Road (PNR) in Lancashire by the end of May 2017. We will then move into the well the drilling phase. We plan to drill two horizontal exploration wells this year which will be the first wells of their type drilled into UK shale rock. We plan to hydraulically fracture and test the flow of gas from both wells, with the fracturing operations beginning towards the end of this year and well testing, including gas flowing into the grid, in the first half of 2018.

We continue to enjoy great support from people in Lancashire who see the potential for the economic benefits and jobs from the responsible development of a shale gas industry in their county. As expected we have also heard from those who remain sceptical at this early stage of exploration and sadly a small minority are choosing to make their protest unlawfully. We continue to engage closely with the Lancashire Police Force to ensure our operations are not impeded and, as importantly, that the daily routines of local people are not impacted. We are also supported by a broad variety of business in Lancashire and the North West, working closely with us on the operations, and these businesses remain engaged and undeterred despite the irresponsible, intimidating behaviour of a few activists.

We have now been located at our new head office in Bamber Bridge, just South of Preston in Lancashire, for over a year. We have expanded the team considerably since relocating, creating new job opportunities, and continue to be committed to putting Lancashire people and businesses first as we unlock the natural gas contained in Lancashire's shale rock. We also continue to support established programmes such as the Young Engineers competition for local schools as well as introducing new initiatives with local football team AFC Fylde to provide education and health training for children from disadvantaged backgrounds.

Across the Pennines we have begun work on desktop studies so we can understand more about the geology under our new exploration acreage which totals approximately 1,274km² all located in Yorkshire.

The result for the year is a loss of \$4,406,000 (2015: \$1,393,000).

The Directors do not recommend the payment of a dividend.

Principal risks and uncertainties

From the perspective of the Company, principal risks and uncertainties are integrated with the principal risks of the Cuadrilla group and are not managed separately. Accordingly, the principal risks and uncertainties of Cuadrilla Resources Holdings Limited, which include those of the Company, are discussed in the directors' report of the group's financial statements which does not form part of this report.

Key Performance Indicators ("KPIs")

The directors of Cuadrilla Resources Holdings Limited manage the group's operations on a combined basis. For this reason, the company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company.

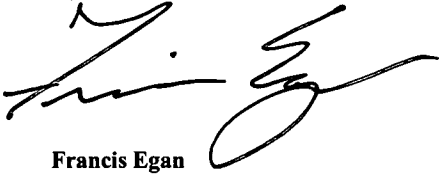
Strategic report *(continued)*

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate.

The Directors have reviewed the forecast cash requirements of the group for the 12 months following the date of signing these accounts and, after making appropriate enquiries, they have satisfied themselves that the group will be able to meet its external liabilities as they fall due for payment.

By order of the board

A handwritten signature in black ink, appearing to read 'Francis Egan', written over a horizontal line.

Francis Egan
Director

23 May 2017

Directors' report

The directors of Cuadrilla Resources Limited (the "Company") present their strategic report, directors' report and financial statements for the year ended 31 December 2016.

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.

Directors

The directors who held office in the period to the date of this report were as follows:

Francis Egan	
Andrew Quarles van Ufford	(resigned 5 May 2017)
Mark Lappin	(appointed 8 May 2017)

Disclosure of information to auditor

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 auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board



Francis Egan
Director

Cuadrilla House
Unit 6 Sceptre Court
Sceptre Way
Bamber Bridge
Preston
Lancashire
PR5 6AW

23 May 2017

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 2016 set out on pages 7 to 20. 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 auditors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

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

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

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.



Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG LLP

Chartered Accountants

23 May 2017

Income statement and comprehensive income
for the year ended 31 December 2016

	<i>Note</i>	2016 \$000	2015 \$000
Revenue	1	2,582	5,033
Gross profit		2,582	5,033
<i>Operating expenses</i>		<i>(544)</i>	<i>(702)</i>
<i>Administrative expenses</i>		<i>(2,416)</i>	<i>(4,931)</i>
<i>Provision for impairment</i>		<i>(4,162)</i>	<i>(840)</i>
Operating loss	1,5	(4,540)	(1,440)
<i>Financial income</i>	6	-	47
Loss before tax		(4,540)	(1,393)
<i>Taxation</i>	7	134	-
Loss for the year		(4,406)	(1,393)

The results above relate to continuing operations.

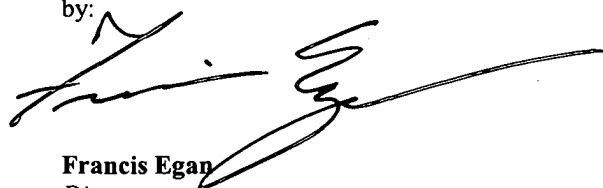
The Company has no other income or expenses recognised in the year, other than those shown in the 'Income Statement and Comprehensive Income' above.

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

Balance sheet
at 31 December 2016

	<i>Note</i>	2016 \$000	2015 \$000
Non-current assets			
Property, plant and equipment	8	157	19
Intangible assets	9	184	150
Investments in subsidiaries	10	1	92
		<u>342</u>	<u>261</u>
Current assets			
Trade and other receivables	11	102,847	100,040
Cash		2,124	2,729
		<u>104,971</u>	<u>102,769</u>
Total assets		<u>105,313</u>	<u>103,030</u>
Current liabilities			
Trade and other payables	12	(113,809)	(107,120)
Total liabilities		<u>(113,809)</u>	<u>(107,120)</u>
Net liabilities		<u>(8,496)</u>	<u>(4,090)</u>
Equity attributable to equity holders of the parent			
Share capital	13	-	-
Retained losses	13	(8,496)	(4,090)
Total equity		<u>(8,496)</u>	<u>(4,090)</u>

These financial statements were approved by the board of directors on 23 May 2017 and were signed on its behalf by:


Francis Egan
Director

Company registered number: 6472493

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

Cash flow statement
for the year ended 31 December 2016

	2016 \$000	2015 \$000
Cash flows from operating activities		
Loss before tax for the year	(4,540)	(1,393)
Adjustments for:		
Depreciation and amortisation	89	242
Foreign exchange losses/(gains)	42	(90)
Impairment of loans to subsidiaries	4,071	840
Impairment of investments in subsidiaries	91	-
Financial income	-	(47)
Increase in trade and other receivables	(6,744)	(5,676)
Increase/(decrease) in trade and other payables	6,689	3,174
Net cash outflow from operating activities	(302)	(2,950)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	4
Purchases of property, plant and equipment	(149)	(4)
Purchases of intangible assets	(112)	-
Interest received	-	7
Net cash (outflow)/inflow from investing activities	(261)	7
Net decrease in cash	(563)	(2,943)
Cash at start of year	2,729	5,582
Effect of exchange rate fluctuations on cash held	(42)	90
Cash at 31 December	2,124	2,729

The accompanying notes on pages 10 to 20 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.

Investments

Investments in subsidiaries are stated at cost less impairment.

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>	
	2016	2015
Management	23	27

The aggregate payroll costs of these persons were as follows:

	2016	2015
	\$000	\$000
<i>Wages and salaries</i>	3,265	4,416
<i>Social security costs</i>	430	511
<i>Contributions to defined contribution plans</i>	195	211
	<u>3,890</u>	<u>5,138</u>

4 Directors' remuneration

	2016	2015
	\$000	\$000
Directors' emoluments	<u>1,010</u>	<u>1,687</u>

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

5 Operating loss

Included in operating loss for the year are the following:

	2016	2015
	\$000	\$000
<i>Impairment of loans to subsidiaries</i>	4,071	840
<i>Impairment of investment in subsidiaries</i>	91	-
<i>Depreciation of tangible fixed assets</i>	11	145
<i>Amortisation of intangible assets</i>	78	97
<i>Operating lease charges – land and buildings</i>	161	323
<i>Operating lease charges – motor vehicles</i>	16	47
<i>Foreign exchange losses/(gains)</i>	42	(90)

Audit fees are borne by the parent company.

Notes (continued)

6 Finance income

Recognised in the income statement

	2016 \$000	2015 \$000
Interest income on loan to subsidiary undertaking	-	40
Interest income on bank balances	-	7
	<u>-</u>	<u>47</u>

7 Taxation

Recognised in the income statement

	2016 \$000	2015 \$000
Current tax income	134	-
Deferred tax expense	-	-
	<u>134</u>	<u>-</u>

Reconciliation of effective tax rate

	2016 \$000	2015 \$000
Loss before tax for the year	<u>(4,540)</u>	<u>(1,393)</u>
Tax using the UK corporation tax rate of 20% (2015:20.25%)	908	282
Depreciation in excess of capital allowances for which no deferred tax asset is recognised	(2)	(25)
Non-deductible expenses	(839)	(202)
Current year losses for which no deferred tax asset is recognised	67	(55)
	<u>134</u>	<u>-</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

No provision for tax has been made as the Company has estimated accumulated tax losses of \$333,000 (2015:\$480,000) which are available for offset against future taxable income. A deferred tax asset has not been recognised as it is uncertain when the Company will be able to utilise the losses. The Company also has an unrecognised deferred tax asset in respect of property, plant and equipment of \$10,000 (2015:\$8,000).

Notes (continued)

8 Property, plant and equipment

	<i>Fixtures, fittings & equipment</i>	<i>Motor vehicles</i>	<i>Under construction</i>	<i>Total</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Cost				
<i>Balance at 1 January 2015</i>	436	131	-	567
<i>Additions</i>	4	-	-	4
<i>Disposals</i>	(382)	(131)	-	(513)
<i>Balance at 31 December 2015</i>	58	-	-	58
<i>Balance at 1 January 2016</i>	58	-	-	58
<i>Additions</i>	-	-	149	149
<i>Balance at 31 December 2016</i>	58	-	149	207
Depreciation				
<i>Balance at 1 January 2015</i>	(284)	(119)	-	(403)
<i>Depreciation charge for the year</i>	(137)	(8)	-	(145)
<i>Disposals</i>	382	127	-	509
<i>Balance at 31 December 2015</i>	(39)	-	-	(39)
<i>Balance at 1 January 2016</i>	(39)	-	-	(39)
<i>Depreciation charge for the year</i>	(11)	-	-	(11)
<i>Balance at 31 December 2016</i>	(50)	-	-	(50)
Net book value				
<i>At 1 January 2015</i>	152	12	-	164
<i>At 31 December 2015 and 1 January 2016</i>	19	-	-	19
<i>At 31 December 2016</i>	8	-	149	157

The depreciation charge is recognised within administrative costs for the year.

Notes (continued)

9 Intangible assets

<i>Cost</i>	<i>Software \$000</i>
<i>At 1 January 2015</i>	439
<i>Disposals</i>	(125)
	<hr/>
<i>Balance at 31 December 2015</i>	314
	<hr/>
<i>At 1 January 2016</i>	314
<i>Additions – under construction</i>	112
	<hr/>
<i>Balance at 31 December 2016</i>	426
	<hr/>
<i>Amortisation</i>	
<i>At 1 January 2015</i>	(192)
<i>Amortisation charge for the year</i>	(97)
<i>Disposals</i>	125
	<hr/>
<i>Balance at 31 December 2015</i>	(164)
	<hr/>
<i>At 1 January 2016</i>	(164)
<i>Amortisation charge for the year</i>	(78)
	<hr/>
<i>Balance at 31 December 2016</i>	(242)
	<hr/>
<i>Net book value</i>	
<i>At 1 January 2015</i>	247
	<hr/>
<i>At 31 December 2015 and 1 January 2016</i>	150
	<hr/>
<i>At 31 December 2016</i>	184
	<hr/>

The amortisation charge is recognised within administrative costs for the year.

Notes (continued)

10 Investments in subsidiaries

	<i>Shares in subsidiary undertakings</i>
	<i>2016 \$000</i>
Cost	
<i>At 1 December 2016 and 31 December 2016</i>	92
	<hr/>
Provision for impairment	
<i>Charge in the year</i>	(91)
	<hr/>
Net book value	
<i>At 31 December 2016</i>	1
	<hr/>

Details of the Company's principal subsidiaries at 31 December 2016 are as follows:

	<i>Country of Incorporation</i>	<i>Nature of business</i>	<i>Class of shares held</i>	<i>Ownership</i>
<i>Cuadrilla Bowland Limited</i>	UK	<i>Oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla Elswick Limited</i>	UK	<i>Oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla Balcombe Limited</i>	UK	<i>Oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla Weald Limited</i>	UK	<i>Oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla Elswick (No.2) Limited</i>	UK	<i>Oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla North Cleveland Limited</i>	UK	<i>Oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla South Cleveland Limited</i>	UK	<i>Oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla Gainsborough Limited</i>	UK	<i>Oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla Brabant BV</i>	Netherlands	<i>Oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla Hardenberg BV</i>	Netherlands	<i>Oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla Poland Sp. Zo.o</i>	Poland	<i>Oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla Well Services Limited</i>	UK	<i>Services for oil and gas exploration</i>	Ordinary	100%
<i>Susquehanna Natural Resources Co</i>	USA	<i>Services for oil and gas exploration</i>	Ordinary	100%
<i>Cuadrilla Hungary Limited</i>	UK	<i>Investment holding</i>	Ordinary	100%

11 Trade and other receivables

	<i>2016 \$000</i>	<i>2015 \$000</i>
Current		
<i>Trade receivables</i>	6	110
<i>Trade receivables due from related parties (note 17)</i>	101,160	98,201
<i>Prepayments</i>	137	173
<i>Other receivables</i>	1,544	1,556
	<hr/>	<hr/>
	102,847	100,040
	<hr/>	<hr/>

All trade and other receivables are current.

Notes (continued)

12 Trade and other payables

	2016 \$000	2015 \$000
Current		
Trade payables	826	1,176
Amounts due to immediate parent company (note 17)	112,257	104,755
Social security and other taxes	119	151
Accrued expenses	607	1,038
	<u>113,809</u>	<u>107,120</u>

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.

13 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital \$000	Retained profits \$000	Total Equity \$000
Balance at 1 January 2015	-	(2,697)	(2,697)
Total recognised income and expense	-	(1,393)	(1,393)
	<u>-</u>	<u>(4,090)</u>	<u>(4,090)</u>
Balance at 31 December 2015	-	(4,090)	(4,090)
	<u>-</u>	<u>(4,090)</u>	<u>(4,090)</u>
Balance at 1 January 2016	-	(4,090)	(4,090)
Total recognised income and expense	-	(4,406)	(4,406)
	<u>-</u>	<u>(8,496)</u>	<u>(8,496)</u>
Balance at 31 December 2016	-	(8,496)	(8,496)

Share capital

	2016 number	2015 number
Ordinary shares		
On issue at 31 December – fully paid	<u>100</u>	<u>100</u>
	<u>2016</u>	<u>2015</u>
	\$	\$
Allotted, called up and fully paid	150	150
Ordinary shares of \$1.50 each	<u>150</u>	<u>150</u>

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 2016.

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 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, buildings and vehicles under a number of operating leases. During the year \$177,000 (2015: \$370,000) 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:

	2016 \$000	2015 \$000
<i>Less than one year</i>	203	151
<i>Between one and five years</i>	75	141
	<u>278</u>	<u>292</u>

16 Contingencies

The Company is part of a group registration for VAT.

17 Related parties

Management fees

The Company has recognised income of \$2,570,000 in respect of management fees (2015: \$5,033,000). 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.

Other related party transactions

	<i>Receivables outstanding</i>		<i>Payables outstanding</i>	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<i>Immediate parent company</i>	-	-	-	104,755
<i>Subsidiaries</i>	101,124	98,129	-	-
<i>AJ Lucas Group Limited (see note 18)</i>	36	72	112,257	-
	<u>101,160</u>	<u>98,201</u>	<u>112,257</u>	<u>104,755</u>

All intercompany accounts are current.

Notes *(continued)*

18 Ultimate parent company and parent company of larger group

The company is a subsidiary of Cuadrilla Resources Holdings Limited which is jointly controlled by its shareholders:

- Lucas Cuadrilla PTY Limited (45%);
- Riverstone/Carlyle Global Energy and Power Fund IV (Cayman) LP (45%); and
- Management team and employees (10%).

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.